

530
GENERAL LIBRARY
APR - 9 1919
UNIV. OF MICH.

The American Economic Review

VOLUME IX, NO. 1

MARCH, 1919

BOARD OF EDITORS

G. E. BARNETT
A. E. CANCE

F. A. FETTER
L. H. HANEY

W. E. HOTCHKISS
H. E. MILLS

MANAGING EDITOR

DAVIS R. DEWEY

The Procedure of Contemporary Railroad Re- organization	ARTHUR S. DEWING	1
The War-Tax Paradox	H. J. DAVENPORT	34
Price Fixing in a Competitive Industry: A Pioneer Case	LEWIS H. HANEY	47
The Federal Farm Loan System	GEORGE E. PUTNAM	57
Labor Turnover	GEORGE J. EBERLE	79
Reviews and Titles of New Books		83
(For complete list of books, see second page of cover)		
Documents, Reports, and Legislation		154
Reconstruction Problems in Foreign Countries	HENRY J. HARRIS	154
British Food Supply	A. M. SAKOLSKI	157
Report of the Interstate Commerce Commission	C. O. RUGGLES	163
Watching the Movement of Prices during the War	PAUL W. GARRETT	167
Periodicals		179
Notes		201

Publication Offices: Princeton, N. J. and Ithaca, N. Y.
Subscriptions: American Economic Association, Ithaca, N. Y.
Editorial Office: 222 Charles River Road, Cambridge, Mass.

Entered at the Post Office, Princeton, N. J., as second-class mail matter

Copyright, 1919, by American Economic Association

Price, in paper \$1.25

General Works, Theory and Its History

Book Reviews

ROBERTSON, <i>The Economics of Progress</i> , by L. H. Haney.....	83
KOLLER, <i>The Theory of Environment</i> , by J. G. Brooks.....	85
ADAMS, <i>Description of Industry</i> , by H. E. Mills.....	87
BENJAMIN, <i>The Larger Liberalism</i> , by J. G. Brooks.....	88
BENNION, <i>Citizenship</i> , by H. E. Mills.....	89
O'HARA, <i>Introduction to Economics</i> , by H. E. Mills.....	90
Titles of New Books	87

Economic History and Geography

Book Reviews

HOBSON, <i>Democracy after the War</i> , by H. G. Moulton.....	91
BOYCE, <i>Economic and Social History of Chowan County, North Carolina, 1880-1915</i> , by J. G. deR. Hamilton.....	93
BISHOP, <i>A Chronicle of One Hundred and Fifty Years: the Chamber of Commerce of New York</i> , by E. L. Bogart.....	96
HOBSON, <i>The Evolution of Modern Capitalism</i> , by H. E. Mills.....	98
WOOD, <i>The Great Change</i> , by L. P. Arner.....	99
Titles of New Books	96
Documents, Reports, and Legislation: Reconstruction Problems in Foreign Countries , by H. J. Harris.....	154
Periodical Abstracts: Economic History, United States , by E. L. Bogart	179
Economic History, Foreign	180

Agriculture, Mining, Forestry, and Fisheries

Titles of New Books	100
Periodical Abstracts: Agricultural Economics , by A. J. Dadisman.....	181

Manufacturing Industries

Titles of New Books	101
----------------------------------	-----

Transportation and Communication

Book Reviews

DAISH, <i>Atlantic Port Differentials</i> ; MACELWEE, <i>Ports and Terminal Facilities</i> , by C. O. Ruggles.....	102
Titles of New Books	105
Documents, Reports, and Legislation	163
<i>Report of the Interstate Commerce Commission</i> , by C. O. Ruggles....	163
Periodical Abstracts: Railways and Transportation , by J. H. Parmelee	182

Trade, Commerce, and Commercial Crises

Book Reviews

HAUSER, <i>Germany's Commercial Grip on the World</i> , by H. R. Tosdal..	106
Titles of New Books	106
Documents, Reports, and Legislation	157
<i>British Food Supply</i> , by A. M. Sakolski.....	157
Periodical Abstracts: Commerce , by H. R. Tosdal.....	186

Accounting, Business Methods, Investments, and the Exchanges

Book Reviews

HALE, <i>Valuation and Rate-Making</i> , by A. M. Sakolski.....	108
KELLY, <i>Hiring the Worker</i> ; BARCOCK, <i>The Taylor System in Franklin Management</i> ; FARNHAM, <i>Scientific Industrial Efficiency</i> ; <i>Buying Brains</i> ; WEBB, <i>The Works Manager Today</i> , by E. H. Schell.....	109
KENT, <i>Bookkeeping and Cost Accounting for Factories</i> , by M. J. S.....	113
Titles of New Books	112
Periodical Abstracts: Accounting , by M. J. Shugrue.....	189

(Continued on page 3 of cover)

The American Economic Review

VOL. IX

MARCH, 1919

No. 1

THE PROCEDURE OF CONTEMPORARY RAILROAD REORGANIZATION¹

The procedure followed at the present time in effecting the reorganization of an American railway system has developed through a series of precedents, each one of which was established originally more through accident than forethought. Ordinarily a fundamentally important mode of procedure, in financial as well as other social affairs, results from a slow and tempered growth of precedents, all of which are firmly rooted in the common or the statutory law, and all of which are constantly balanced off against contemporary social opinion. The history of the organization of the business corporation, the history of the public franchise, the history of the practice of corporate taxation, are all illustrations of the orderly and well regulated development of a body of well considered precedents, consistent at all times with the law and public opinion. Not so the present practices governing the reorganization of railways. They have arisen through immediate necessities; they have come into existence at times when any action, legal or illegal, impetuous or reflective, was better than no action.

Four separate and often antagonistic sets of motives govern the procedure to be followed in the reorganization of a railroad. The most important and usually the least apparent is concerned with the human or psychological elements. Most writers on finance, taking their promptings from published circulars and reports, forget the interplay of human motives, ambitions, antagonisms, and friendships that underlie every financial episode of importance. A railroad is reorganized by men, not puppets; its officers, its creditors, its security holders, the attorneys and the judges are not mere thinking machines, but ordinary men, subject to human emotions and weaknesses. First, then, the procedure must be such as to allay, not aggravate, the friction incident to the conflict of personalities. The second set of motives governing reorganization procedure is economic. Leases must be continued or abrogated, branch lines rebuilt or closed, rights enforced or surrendered, in

¹ This article follows one on "The Theory of Railroad Reorganization," published in the December, 1918, number of the *AMERICAN ECONOMIC REVIEW* (vol. VIII), p. 774.

accordance with the single question—Is it profitable? No railroad can be permanently successful and serve the public well which does not pay its operating expenses, including fair wages to its employees, with adequate upkeep of its plant, and in addition a fair rate of return on the invested capital. And the reorganization procedure must recognize this simple economic imperative. The third set of controlling motives is legal and judicial. Experienced students of legal practice have worked out certain more or less clearly defined lines of orderly procedure. Some of these lines of procedure have been prescribed by the courts, others are merely tolerated by the courts because they facilitate the regular course of the reorganization, and others, arising from the ingenuity of lawyers, are followed until some court decision condemns them. Lawyers are apt to exaggerate their own importance and the significance of their legal machinery in determining the form and details of reorganization procedure, forgetful that a reorganization is primarily an adjustment of human motives and economic conditions, circumscribed, rather than determined by the law.² The fourth set of motives—only recently of importance—is the rulings and requirements of public service commissions. In theory, at least, the public service commission requires that the course of the reorganization shall not jeopardize any of the rights of the public. The present orderly procedure of a railroad reorganization has been built up from the interplay of these four sets of motives.

The chronological steps in the procedure are strikingly uniform. The first sign of impending trouble is the decline in the railroad's credit. This is usually a matter of common knowledge in financial circles. The weakness will have shown itself in at least three direc-

² As stated in another connection, "One may hazard the guess that there is no field of modern economic relations where legal phrases count for as little as in railroad reorganization; and as time passes their significance seems to become less." A. S. Dewing in the *AMERICAN ECONOMIC REVIEW*, vol. VI (1916), p. 907. The earliest clear acknowledgment by the judiciary itself of this fact, that I can find, is a statement by Chief Justice Waite some twenty-five years ago: "It rarely happens in the United States that foreclosures of railway mortgages are anything else than the machinery by which arrangements between creditors and other parties in interest are carried into effect." *Can. So. Ry. Co. v. Gebhard*, 109 U. S. 539 (1883). It is noteworthy that this admission that legal steps constitute the "machinery" for accomplishing economic ends, is quoted with approval by Cravath in his essay on the legal procedure (n. 11). On the other hand, lawyers and judges would give the impression that legal procedure embraces about all there is to a reorganization.

tions in the months preceding a railway failure, and an astute student of railways would probably discover other indications of falling credit. The company's securities have declined in quoted value on the exchanges where they are dealt in, the company itself has paid increasing rates of interest and has borrowed on rapidly maturing, miscellaneous secured notes, and the general property of the company, particularly its rolling stock, has been allowed to depreciate. For a considerable period the earnings also will have been declining, but invariably this decline will have been attributed to transitory and superficial causes rather than to any cause sufficiently deep-seated or permanent to suggest an impending crisis. The three signs of weakness alluded to above, accompanying or following steadily failing net earnings, are prophetic of failure.

The exact time at which the failure of a railroad is publicly acknowledged is largely at the discretion of the directors. The explicit failure of an industrial company may come suddenly, as the immediate consequence of a labor strike, a panic, or a bank failure; but a railway failure, invariably due to deep-seated, slow acting causes, may be postponed or quickened at the discretion of those in immediate control. At all events, when the financial and operating conditions of the road reach such a pass that a crisis seems inevitable to the management, one or both of two steps are taken—the organization of protective committees and the petition for the appointment of a receiver. Sometimes committees close to the management are formed before failure has reached a crucial stage, one of their avowed purposes being to prevent or forestall receivership proceedings;³ and sometimes receivership proceedings are brought suddenly, and almost at the last moment, before the management has an opportunity to organize a “stockholders’ committee.” Thus no general rule can be laid down covering the order of these two events, but the public acknowledgment of financial failure is indicated if one or the other or both of them occur.

The organization of protective committees is more important than the receivership proceedings, the latter being a legal formality now often dispensed with. The committees arise from approximately five different sources. Invariably there is a stockholders’ committee, usually dominated by the old directors of the road.

³ Protective committees for the Missouri Pacific Railway were organized in 1914 in the hope of effecting a “readjustment” (a delicate word for reorganization), and the petition for receivership was not made until August, 1915, when it was found that this “readjustment” could not be effected.

This committee acts on the defensive; throughout the whole course of the reorganization proceedings the stockholders' committee is engaged in explaining and justifying the past management on the one hand, and haggling with the other committees in regard to the extent of the sacrifices which the old stockholders must undergo in order to regain the control of the road. The other four types of committees are representative of bondholders. There is usually a committee or committees of junior bondholders, of the senior bondholders, of branch and divisional line bondholders, and of the bondholders of subsidiary lines or terminal properties controlled through leases or operating contracts. These committees of bondholders are formed and dominated by the investment banking houses which were responsible for the original sale of the bonds to the public; if the bonds were distributed long ago, prominent trust companies or life insurance companies may assume the guiding hand.

The junior bondholders' committee or committees will stand antagonistic to the committee of stockholders. They will insist that the junior bondholders shall endure as little sacrifice as possible, and that the full brunt of the burden of reorganization shall fall on the stockholders. The committees of senior, branch and leased line bondholders will assume throughout an attitude of watchful waiting. In the majority of cases, especially if the property covered by their liens is strategically important for the unity of the railway system, they will be called upon to take little part in the reorganization. If, as is the case in comprehensive reorganizations, they are required to fund their bonds under new first and general mortgages, they will be able to prescribe the conditions which the junior bondholders and stockholders must accept.

In the older reorganizations, there were more committees than at present.⁴ The tendency now is to have few committees and to have these few thoroughly representative and endowed with

⁴ For example, before the Union Pacific reorganization had been accomplished, no less than fifteen committees had been formed. There were committees representing the first mortgage bonds, the consolidated mortgage bonds, the collateral-trust 5's, the collateral trust 4½'s, the Oregon Railway and Navigation Consolidated bonds, the Dutch bondholders, two committees each for the Kansas Pacific consolidated bonds and the Denver Extension bonds, a joint committee of foreign bondholders, and various committees representing branch line bonds. See S. Daggett, *Railroad Reorganization* (Harvard Economic Studies, vol. IV, 1908), ch. VII.

considerable power.⁵ It facilitates matters very much if the important committees agree among themselves over the formation of a general reorganization committee upon which representatives of the different committees serve. Not only does such a general committee tend to ease the tension and remove misunderstandings, but it makes possible a unified and far-sighted policy of investigation during the period pending the reorganization, and it does away with unnecessary public discussion and rankling over successive plans of reorganization. Such a general committee assumes the burden of preparing a plan of reorganization in the interest, ostensibly at least, of impartial justice.

While the formation of committees is entirely a matter of invitation and mutual agreement, there are very distinct responsibilities attached to membership on important reorganization committees. Formerly membership was more or less a matter of accident, or at most a privilege attaching itself to the ownership of a considerable block of securities the value of which had been placed in jeopardy by the financial crisis of the road. In consequence, members of important committees were often men of little intelligence or familiarity with railroad finance; quite generally they had no standing beyond their own cities. At the present time, however, the custom is to have well known, highly responsible men serve on the various reorganization committees; men are chosen more because of their national standing in banking and railway circles, their integrity and proved wisdom and financial experience, than because of ownership or control of securities. And such a personnel is wise. Railway reorganization requires highly expert and specialized knowledge. The greater the number of reorganization committees a man has served upon, the greater is his value, and after a time he acquires a kind of national reputation for skill in this particular field. He will not be responsible for a reorganization plan likely to jeopardize his reputation for honesty and impartiality. Moreover, the plan of reorganization finally agreed upon by men of acknowledged responsibility and

⁵The practice is becoming clear, as a whole, for as many classes of debt and security holders to organize themselves into committees as there are substantial equitable interests in the corporation's property, but no more than is absolutely necessary. A duplication of committees, representing the same interest and differing only in personnel, is frowned on by the courts and achieves no other end than a break on the course of the reorganization. The effectiveness and responsibility of committees will vary directly as the authority vested in them.

expertness will receive public approval much more readily than a plan advanced by less well known men. This general tendency to have a reorganization supervised by highly responsible experts, rather than by holders of large amounts of securities, is in general accord with the tacit acknowledgment that a railroad reorganization is a public and not a private matter.⁶

As soon as each committee is formed, it organizes itself, selecting one member to act as chairman.⁷ A legal counsel is chosen and some trust company is asked to receive the deposit of securities under a general agreement according to the terms of which the committee is empowered by those depositing their securities to act for them and in their stead. The powers conferred on the committee by this deposit agreement are very general, and the tendency of recent years is to enlarge them. In fact, it may be said that the committees are trustees for the depositors under their agreement acting with all the powers possessed by the owners separately and with the additional powers that their majority control involves.⁸ We shall return presently to the procedure in connection with the formation and organization of committees.

⁶ From the above account, it should not be inferred that reorganization committees "constitute themselves," as it were, out of a clear sky. Ordinarily some banking house has been the acknowledged sponsor for the railroad, through the sale of large blocks of bonds. This banking house will "invite" prominent bankers to become members, thinking by so doing to give added respectability to their committee. The directors, similarly, will "invite" other prominent bankers to serve on their stockholders' committee.

⁷ Great care must be taken that the committee members, particularly the chairman, shall be free from partiality, else the court may permit a duplication of committees, thus impeding the reorganization. In the recent reorganization of the Chicago, Rock Island and Pacific Railway, the president of the trust company, which was trustee of the bonds upon which the foreclosure suit was based, was chairman of the bondholders' committee. The court considered this a dual position, and permitted a minority bondholders' committee to intervene, thus creating unfortunate complications.—*Central Trust Co. v. C. R. I. & P. R.R. Co.*, 218 Fed. 336 (1914).

⁸ The legal powers of reorganization committees acting under modern deposit agreements have been briefly summarized in a lecture before the Harvard School of Administration by the late Adrian H. Joline, than whom there have been few abler masters of reorganization procedure.

"There is conferred upon the Committee all the rights and powers of owners of the deposited securities and full discretion as to the methods of carrying out the agreement, with power to construe it.

"The Committee is usually authorized to maintain necessary suits; to sell the deposited securities under certain restrictions appropriate to the case; to put in motion suits to foreclose mortgages; to purchase the property at any

The character and the significance of the legal aspects of a reorganization depend, very largely, on whether or not a receiver is appointed to administer the railroad during the period between the financial crisis and the final consummation of the reorganization. This, in its turn, depends on whether or not there is likely to be acrimonious and prolonged dispute among the various security holders, or a recalcitrant group of security holders, likely to impede or frustrate an amicable settlement of conflicting interests. If the failure is very serious, thus entailing large losses to all concerned, or if it involves a large railway embodying many conflicting interests, or if there are burdensome leases and contracts which must be abrogated at all hazards, then receivership proceedings are necessary. Through a judicial sale of the bankrupt railroad's property, the court can either force a recalcitrant minority to accept what it considers a just reorganization plan or it may extinguish the interests of the minority. But if the various security holders can arrange a plan of reorganization among themselves, without resort to the machinery of the courts, the whole reorganization can be carried out with little outward formality. A court receivership is expensive, destructive of "goodwill" values, hurtful to the road's general credit, and places in jeopardy valuable franchises which may have been granted years before when legislatures and commissions observed a beneficent liberality toward railroads. A reorganization consummated without compulsory pressure exerted by the courts through judicial sale, even though a receiver be appointed at some stage in the proceedings, is called *voluntary*; one consummated through the coercive authority of the court, represented by a judicial sale of the old railroad and the organization of a new railroad corpora-

sale, using the deposited securities so far as may be in payment of the purchase price, with power to borrow money necessary to complete the payment and to assign the bid or otherwise use the property to secure repayment of the sums borrowed; and to convey the property to a new company or otherwise dispose of it subject to the conditions set forth in the agreement.

"The Committee generally has power granted to it to limit the time for making deposits; to employ counsel and assistants; to receive reasonable compensation, sometimes limited to a certain percentage on the face value of the deposited securities, and to have its expenses paid subject usually to a like limitation. The Committee is frequently authorized to borrow money and to pledge the deposited securities as collateral for the loan, for the purposes of the agreement, the protection of the depositors, the preservation of the property, or to defray expenses.

"Depositors incur no personal liability for expenses, but the deposited securities constitute the fund for that purpose."—Lectures, p. 12.

tion, is called *involuntary*.⁹ The vast majority of railroad reorganizations are involuntary, and follow a court receivership, although from time to time voluntary reorganizations have been attempted for large railway systems, sometimes successfully.¹⁰

In the vast majority of cases, the first step in the legal procedure of a railroad reorganization is the appointment of a receiver by a court of equity.¹¹ It cannot, however, be stated that

⁹ There is possible a kind of threefold classification depending on legal sanctions:

Voluntary, without receivership: when failure is due to temporary causes, that operate relatively slowly, or the difficulties are easily adjusted by the security holders. Common among industrials, local public utilities and small railroads. Rare for large railway systems. The Atchison reorganization of 1889.

Voluntary, with receivership: when failure is due to temporary causes, operating quickly, or when valuable property with large equities meets sudden disaster. Very common among industrials of all classes. The common form of voluntary reorganization among railroads. The Baltimore and Ohio of 1899.

Involuntary, with receivership: the ordinary form. Almost universal among railroads and commonest among industrials and local public utilities.

¹⁰ In the summer of 1915 a voluntary reorganization, without receivership, was attempted for the Missouri Pacific Railway. As a voluntary reorganization it was unprecedented in the history of railroad finance for the radical sacrifices demanded by the branch line and junior bondholders. To accomplish the coöperation of these bondholders and of the assessed stockholders, the committees pointed out that a receivership, entailing much added expense, would be necessary unless the security holders willingly consented. They refused. A receivership followed, and under the authority of the courts the identical plan of reorganization was forced upon the security holders at greatly increased expense to the corporation.

On the other hand, the great reorganization of the Baltimore and Ohio Railroad in 1899, entailing considerable sacrifice, was finally consummated without judicial pressure. This was, on the whole, the most remarkable case of a voluntary reorganization.

Out of over five hundred railroad organizations between 1884 and 1900, examined by Meany (*Poor's Manual of Railroads*, 1900), sixteen were voluntary. Since 1900 about a tenth of those capital readjustments, sufficiently comprehensive to be called reorganizations, have been of the voluntary type. There have been numerous "readjustments" accomplished without receivership or pressure upon the security holders, but they cannot be considered as substantial reorganizations.

¹¹ The appointment of a receiver to conserve property is one of the so-called "extraordinary remedies" allotted by our Anglo-Saxon law to the equity courts. Such courts "will not lend their aid by the appointment of receivers when the persons seeking the relief have ample redress by the usual course of proceedings at law, or when the law affords any other safe or expedient remedy."—J. L. High, *A Treatise on the Law of Receivers*, p. 16.

The court of equity can exercise its discretion as to whether it will appoint

all railway receivership proceedings arise from anticipated or actual failure.¹² Historically the current procedure has developed by a slow evolution. It represents the gradual transition from a complex, haphazard procedure to enforce railway obliga-

the receiver.—*Mil. and Min. R. R. Co. v. Soutter*, 2 Wall. 510 (1864). Also 8 Biss. 247.

The position of a receiver is very concisely described by Baldwin, J.: "By means of the appointment of a receiver, a court of equity takes possession of the property which is the subject of the suit, preserves it from waste or destruction, secures and collects the proceeds or profits, and ultimately disposes of them according to the rights and priorities of those entitled. . . . The receiver appointed is the officer and representative of the court, subject to its order, accountable in such manner and to such persons as the court may direct, and having in his character of receiver no personal interest but that arising out of his responsibility for the correct and faithful discharge of his duties."—*Beverly v. Brooke*, 4 Grat. 208.

The duties of receivers for public service corporations are briefly described by Judge Lacombe: "Their (the receivers') sole functions are to hold the property intact, operating it as efficiently for the public service as their resources will permit, to ascertain the liabilities, to marshal the assets and eventually . . . to sell it to the best advantage and to apply the proceeds rateably to the payment of the liabilities."—*Penn St. Co. v. N. Y. C. Ry. Co.*, 157 Fed. 442 (1907).

For brief but comprehensive accounts of the appointment and duties of receivers see the two essays by J. Byrne and P. D. Cravath in a book entitled *Some Legal Phases of Corporate Financing Reorganization and Regulation* (Macmillan, 1917), being addresses delivered in 1916 at the instance of the Association of the Bar of the City of New York by distinguished practicing lawyers. These two essays, together with the lectures by the late Adrian H. Joline at Harvard, are the best available brief summaries of legal procedure of a modern corporate reorganization. The book of essays will be frequently referred to under the title of *Some Legal Phases*, etc.

There have been a large number of periodical articles dealing with railroad receiverships: H. C. Caldwell, "Railroad Receiverships in Federal Courts," *American Law Review*, vol. 30 (1895), p. 161; A. S. Bennett, "Railroad Receiverships," "Oregon Bar Association Proceedings, vol. VI (1886), p. 47; J. F. Crowell, "Railway Receiverships in the United States," *Yale Review*, vol. 7 (1898), p. 319; H. H. Swain, *Economic Aspects of Railroad Receiverships*, Economic Studies, vol. 3 (Am. Econ. Assoc., 1898), p. 53; S. Daggett, "Recent Railroad Failures and Reorganizations," *Quart. Journ. Econ.*, vol. 32 (May, 1918), p. 446. Special articles will be referred to under special topics. For general works see W. A. Alderson, *A Practical Treatise on the Law of Receivers*; J. L. High, *A Treatise on the Law of Receivers*; S. W. Jones, *A Treatise on the Law of Insolvent and Failing Corporations*.

¹² In the first place, especially of recent years, receivership proceedings have been instituted or threatened by state or federal officers for alleged violation of the "Sherman anti-trust" act of 1890.

The number of receiverships resulting from dissensions, disputes, and

tions, current fifty years ago, to the relatively simple and orderly procedure of the present time.

In the earlier years, roughly, before the panic of 1873, corporate mortgages were construed literally. In case of a default in bond interest the trustee of the mortgage might acquire possession and management of the railway property, as the strict construction of the mortgage instrument permitted,¹³ or a receiver might

intercorporate intrigues are legion. It was alleged that the Cincinnati and Eastern Railway went into the hands of receivers as part of the consummation of a plan to secure the road for less than its value.—*Ry. Age*, vol. VIII, p. 596. See also *F. L. T. Co. v. N. Y. and Nor. Ry. Co.*, 150 N. Y. 410 (1896). Some stockholders of the Ohio and Mississippi Railroad declared that its collapse in 1876 and receivership, was part of a concerted plan on the part of the Baltimore and Ohio Railroad to secure control.—*Chicago Railway Review*, vol. 14, p. 29; *Commercial and Financial Chronicle*, vol. 22, p. 526; vol. 16, p. 392. Probably the real cause was the excessive and unwarranted cost of building the Louisville branch. Receivers were appointed for the Cincinnati, New Orleans and Pacific Railway in 1893 in order to protect the road from liability for stock fraudulently issued by a former secretary.—J. H. Hollander, *The Cincinnati Southern*, Johns Hopkins University Studies, vol. 12 (1894), p. 1. In 1904 the Eastern Ohio Traction Company went into the hands of receivers because of the fear of damage suits resulting from a wreck on the Chagrin Falls branch. Receivers have been appointed in several cases because of controversies over leases as in the case of the Eastern Railroad of New Hampshire in 1877, and the Denver and Rio Grande in 1879. Instances also exist where a receiver has been appointed to settle controversies existing between opposing interests.

Swain gives instructive instances among early receiverships of exceptions to the rule that failure is the universal condition of receivership. The Cleveland, Delphos and Saint Louis Railroad was placed in the hands of receivers in 1884 and the Tennessee Central in 1895 in order to complete construction. The directors sought receivership for the Hutchinson and Southern in 1893 to transfer control from a county to a federal court.—Swain, *Econ. Aspects*, etc., pp. 90, 94.

In recent corporate history the Kansas Natural Gas Company was thrown into the hands of federal court receivers in 1912 to protect the company from what was regarded as the unlawful demands by state and municipal authorities, the federal court being considered able to prevent the sale of gas at less than cost. In 1911 the La Crosse Water Power Company was placed in receivers' hands to protect the company from damage suits caused by inability of the company to deliver current contracted for, on account of low water and the breaking of dykes.

¹³ On default the bondholder or his trustee awaited the period of grace, from thirty days to six months or even longer, and then began a foreclosure suit. In the absence of a receiver, the trustee of the bonds would assume the management of the railway. Notable case, *Hartford, Providence and Fishkill Railroad*.—*Chronicle*, vol. 22, p. 304. In rare instances, this action has actually been preferred by the court to the appointment of a receiver on the ground

be appointed at the instance of an antagonistic creditor.¹⁴ The details of the procedure were distinctly matters of accident; the only certain thing being a variety of suits and countersuits all based on the desire of some faction to gain a temporary advantage through legal process.

The first period ended, and what we might call the second period of railroad receivership procedure began, with the failure of the Wabash Railway in 1884.¹⁵ This important failure and the resulting reorganization was epoch-making in many respects,¹⁶ but in none more than in the procedure by which it passed into the hands of the court. It was well known at the time that the Wabash system was unstable financially, but there had been no specific failure to meet any of its obligations. Yet, just before the in-

that less harm would be done to all the parties concerned. (*Tysen v. Wabash R. R.*, 8 Biss. 247.) But, owing to the variety of mortgages and the divergence of interests, this mode of procedure was cumbersome and prolific of disputes. Furthermore, with the growing consciousness that railroads were public enterprises, the courts were at first reluctant and later refused to extend to the mortgage trustees the full power the letter of their mortgage instruments implied, so that the trustees found their management hampered. For brief discussions of trustee management and the difficulties involved, see C. Barrett, "Dangers to Bondholders," etc., *Ry. Gaz.*, vol. 11 (1879), p. 385; J. F. Crowell, "Railway Receiverships in the United States," *Yale Rev.*, vol. 7 (1898), p. 327; Cleveland and Powell, *Railroad Finance* (1912), p. 230; W. Z. Ripley, *Railroads: Finance and Organization* (1915), p. 384.

¹⁴ In these early railroad receiverships, there was invariably an actual, not merely fictitious, opposition between the parties praying for the appointment of a receiver and the answer by the railroad's attorneys. The action was then, as now, usually initiated by a creditor's bill, claiming that the means for satisfying the creditor's claim was in jeopardy. This action by a creditor might or might not be a part of a contemporaneous action by a mortgage trustee seeking to assume the control and operation of the railway property. At all events, an officer of the corporation ordinarily appeared in honest opposition to the proceedings, and, as a result of the evidence presented by both sides of the controversy, the court obtained some inkling of the truth.

¹⁵ Crowell believes that the modern doctrine of railway receivership proceedings—in which the railroad itself may be an active or passive participant in placing itself under the administration of the court—"received its earliest formulation in the South." He cites as a leading case *Meyer v. Johnston*, 53 Ala. 264 (1875). This case contains an elaborate discussion of the rights of a court of equity in appointing seniors at the request of stockholders. See also 18 Grattan 819. Unquestionably the principle had been tacitly admitted in certain courts before its explicit acknowledgment in the Wabash case. See also L. A. Jones, "Receivers of Railways," *Southern Law Review*, vol. 4 (1878), p. 18.

¹⁶ See outline of this reorganization in previous article of this series, *Am. Econ. Rev.*, vol. 8 (Dec., 1918), pp. 785-787.

evitable default on one of its thirty-odd mortgages, the officials of the road appeared before the federal court, and asked, on the petition of the road itself, that receivers be appointed. "If the lines," the petition reads, "of the road are broken up and the fragments thereof placed in the hands of various receivers, and the rolling stock, materials and supplies seized and scattered abroad, the result would be irreparable injury and damage to all persons having any interest in said line of road." The petition was granted. A corporation had placed itself in the hands of receivers. The action was heralded by all students of law as revolutionary and establishing a new interpretation of the theory of railroad receiverships. Yet the action of the federal judge was fully sustained by the United States Supreme Court.¹⁷ Occurring

¹⁷ *Wabash, St. Louis and Pacific Ry. Co. v. Central Trust Co.*, 22 Fed. 138 (1884); *Quincy, Miss. and Pac. R. R. v. Humphreys*, 145 U. S. 82 (1892); *St. Joseph and St. Louis R. R. v. Humphreys* 145 U. S. 105 (1892).

At that time the whole Wabash system consisted of over fifty subsidiary parts; it extended into six states. The federal justice who made the revolutionary decision saw fit later to defend his action as follows: "It was an application by the corporation itself, concerning which a great deal of comment has been made elsewhere . . . I hesitated. I found that Judge Shipman, a very learned and able judge, had gone over in *extenso* that class of thought. After further consideration with respect thereto, I reached the conclusion that his views were correct, to wit: Here is a vast system, extending through many states and many judicial districts. A default, it was certain, would be made in a few days. What should be done? The interests of all concerned required that some judicial action should be had for the conservation of those interests—stockholders, bondholders, creditors at large."—29 Fed. 623 (1886).

Chief Justice Fuller himself quotes the words of one of the attorneys that the bill was "without precedent" (145 U. S. 95), yet approved the principle on the ground of public policy. "We have seen," he said, "that the theory of this bill was that an insolvent railroad corporation may, in the public interest, and for the benefit of all its various creditors, surrender its property to a court of equity, to be preserved and kept in operation until it may be disposed of according to the several private rights concerned."—*St. Joseph and St. Louis R. R. Co. v. Humphreys*, 145 U. S. 113 (1892).

Notwithstanding, however, the explicit approval by the United States Supreme Court the doctrine was condemned by various state courts on the previously recognized ground that the petition for the appointment of a receiver must represent an "actual controversy." Such a petition (as in the Wabash case), said the Missouri supreme court, "is simply a petition by a debtor for the appointment of a receiver to manage and carry on its business, so that its creditors cannot enforce their legal rights in the courts of the country. . . . The filing of that petition no more instituted an actual controversy between contending suitors than would the filing of the Lord's Prayer. It laid no foundation whatever for the exercise of the jurisdiction of the court

as this did, in the period just before the many railway receiverships of the nineties, it established the practice of the so-called "friendly" or consent receivership for large railway corporations; and the procedure was soon applied to local utilities¹⁸ and later to industrials.¹⁹ These consent receiverships are now the rule for all large corporate failures.²⁰ Brushing aside exceptional con-

to appoint a receiver."—*State re Merriam v. Ross*, 122 Mo. 435 (1894). Nevertheless, these outries on the part of state courts have availed little, and receivership petitions, instituted directly or indirectly by large public service corporations, have been sustained by the United States Supreme Court. Recent case, *Re Metropolitan Railway Receivership*, 208 U. S. 110 (1908).

The significance of the Wabash case has warranted extended discussion. Besides the cases cited in this note: *Chronicle*, vol. 38, p. 639; "A Chapter of Wabash," *North American Review*, vol. 146 (1888), p. 178; "The Wabash Receivership Case," *Am. Law Rev.*, vol. 21 (1887), p. 141. Also comments in Cleveland and Powell, *Railroad Finance*, etc., p. 235; Ripley, *Railroads*, etc., p. 385. See also note 20 of this article concerning friendly receiverships. For recent discussion, see *Some Legal Phases*, etc., p. 85.

¹⁸ Interesting recent case, *Farm. Loan & Trust Co. v. Meridian Water Co.*, 139 Fed. 661 (1905).

¹⁹ *Hollis v. Brierfield Coal and Iron Co.*, 150 U. S. 371 (1893) and recently *Guaranty Trust Co. v. Inter. Steam Pump Co.*, 231 Fed. 594 (1916).

²⁰ In the words of the late Adrian H. Joline: Apparently well established principles of law, based on economic and social expediency, "enable every company in difficulties, which can find a non-resident creditor, willing to act, to place itself in the possession of a federal court receiver whenever it pleases."—Lecture of April 4, 1910, Harvard School of Business Administration.

In many instances minority interests have sought to set aside consent receiverships on the ground of dishonest collusion. For illustration, when the Philadelphia and Reading Railroad had failed in 1893, after riotous speculation by the president, this same president was appointed one of the receivers. The junior bondholders petitioned the court saying the ("friendly") creditor "did not file his bill in good faith on his own behalf and on behalf of all other holders of bonds, but at the request and for the benefit and protection of the men who were then managers of the Philadelphia and Reading Railroad Company and the Philadelphia and Reading Coal and Iron Company, and that the suit was not being pressed with due diligence."—*Ry. Age*, vol. 18, p. 735.

One of the most barefaced admissions on the part of a railroad management of the prostitution of court procedure to private ends is afforded by a statement to the stockholders of the Eastern Ohio Traction Company (dated February 15, 1904): "the appointment of a receiver is only a friendly arrangement, intended to facilitate plans for reorganization, which when accomplished will increase earning capacity."—*Chronicle*, vol. 78, p. 768.

In one or two rare instances the "friendly" receiver appointed on the petition of the corporation itself has been interpreted more as an agent of the corporation, under the protection of the court, than as an officer of the court; ("it is but just that a receiver so appointed should be held to be the corporation's

ditions, the usual practice in the consent receiverships may be very briefly stated. The necessity or desirability of a receivership having been agreed upon by the directors (usually in a secret meeting),²¹ some friendly general creditor, with a claim in excess of three thousand dollars, not residing in the same state as that

agent."—*Texas and Pacific Ry. Co. v. Gay*, 86 Tex. 571. This is probably not good law, as a receiver under whatever conditions appointed "derives his authority from the court and not from the parties at whose instance he is appointed. He acts in behalf of no particular interest, but guards the rights of all" (198 Fed. 728). "The utmost effect of his appointment is to put the property from that time into his custody as an officer of the court" (136 U. S. 236). Quoted, approvingly, by Chief Justice Fuller, 145 U. S. 97. And the absolute neutrality of the receiver as an agent of the court is justified by a long line of Supreme Court decisions, 14 How. 52, 14 How. 368, 17 How. 322, 136 U. S. 223, 136 U. S. 87, 149 U. S. 473, 208 U. S. 360.

The history of the whole subject of consent receiverships can be followed from a few leading cases: *Meyer v. Johnston*, 53 Ala. 264 (1875); *Wallace v. Loomis*, 97 U. S. 146 (1877); *Wabash, St. Louis & Pacific Ry. Co. v. Central Trust Co.*, 22 Fed. 138 (1884); *Morgan's R. R. and Steam Co. v. Texas Central Ry.*, 137 U. S. 171 (1890); *Quincy R. R. v. Humphreys*, 145 U. S. 82 (1892); *St. Joseph and St. Louis R. R. v. Humphreys*, 145 U. S. 113 (1892); *Hollins v. Brierfield C. & I. Co.*, 150 U. S. 371 (1893); *Cen. Trust Co. v. McGeorge*, 151 U. S. 129 (1894); *Compton v. Jessup*, 68 Fed. 263 (1895); *Continental Trust Co. v. Toledo, St. Louis & K. C. R. Co.*, 82 Fed. 642 (1897); *Chapman v. Atlantic Trust Co.*, 119 Fed. 257 (1902), 145 Fed. 820 (1906), 208 U. S. 360 (1908); *Dickerman v. Northern Trust Co.*, 176 U. S. 181 (1900); *Great Western Mining Co. v. Harris*, 198 U. S. 561 (1905); *Blair v. Chicago*, 201 U. S. 400 (1906); *Horn v. Pere Marquette Ry. Co.*, 151 Fed. 626 (1907); *Wabash Rd. v. Adelbert College*, 208 U. S. 38 (1908); *Re Metropolitan Ry. Receivership*, 208 U. S. 90 (1908).

The general subject of consent receiverships has been the subject of numerous critical articles: M. M. Cohn, "Railroad Receiverships," *Am. Law Rev.*, vol. 19 (1885), p. 400; W. H. Bartol, "The Danger of Friendly Receiverships," *Popular Science Monthly*, vol. 32 (1887), p. 236; H. Woolman, "The Bane of Friendly Receiverships," *N. Am. Rev.*, vol. 158 (1894), p. 250; H. C. Caldwell, "Railway Receiverships in Federal Courts," *Am. Law Rev.*, vol. 30, p. 161; Chamberlain, "New-fashioned Receiverships," *Harvard Law Rev.*, vol. X, p. 139; editorial, *Bradstreets*, Jan., 1894.

²¹ The receivers for the old New York and New England Railroad were obtained at 2 o'clock in the morning for fear that attachments would be placed on the company's property the following day.—*Chronicle*, vol. 38, p. 30.

The receivership proceedings of the Chicago, Rock Island and Pacific Railway, in April, 1913, came suddenly and as a distinct shock to the business community. The contemplated action was known apparently only to the inner circle of directors, one director going so far as to say that he had been unaware that a receivership was being considered. There had been manipulation of the price of the stock immediately before the receivership, and the price declined abruptly immediately thereafter.

in which the railroad has its main office,²² is asked to allow his name to be used in the receivership proceedings. Accordingly the attorneys for the corporation prepare the necessary bill of complaint to which the creditor complacently signs his name. The attorneys, at the same time, prepare the corporation's answer which admits the allegations of the creditor's bill and prays for the appointment of a receiver.²³ The court grants the prayer and appoints one or more receivers. Subsequently, the trustee of the general junior mortgage brings a foreclosure bill in the court of primary jurisdiction and the same receivers are appointed as under the creditor's bill.²⁴ At least one receiver is one of the old operating officials of the road, familiar with routine administration,²⁵ whose name is suggested to the court at the time.²⁶ The other

²² This precaution is necessary in order to throw the corporation into the federal courts. If it is desired to have the receivership in the state courts a resident creditor is selected.

²³ This is called the primary bill. Ancillary bills are filed in every judicial district in which the corporation owns property.—Early leading case, *Booth v. Clark*, 17 How. 322 (1854). These ancillary bills must be counterparts, in all important particulars, of the original bill—*Merch. Trust Co. v. Kanawha and Ohio Ry.*, 39 Fed. 337 (1889)—and further state that the court of primary jurisdiction has appointed receivers.

²⁴ Ordinarily the receivers appointed by the court of primary jurisdiction are respected by other courts, and this court will retain its control to the end of the controversy.—High, *Receivers*, p. 73; *Muller v. Dows*, 94 U. S. 444 (1876). As a result of the tangle over the receiverships following the last failure of the Northern Pacific Railroad, four justices of the Supreme Court declared that the suit should be "commenced in the circuit court of the district in which the principal operating offices are situated and in which there is some material part of the railroad."—*Farmers' Loan & Trust Co. v. Northern Pacific Ry. Co.*, 72 Fed. 26 (1896). See Daggett, p. 298; *Some Legal Phases*, etc., pp. 90, 157.

²⁵ The only statistical study of the relative frequency of such appointments, that has come to my attention is that of Swain. He considers approximately 150 receiverships, from 1867 to 1897. These covered the following appointments: old presidents, 80 cases; general managers, 25 cases; superintendents, 17 cases; vice-presidents, 16 cases.

²⁶ Sterne, an astute student of railroad finance, remarked many years ago: "A railroad official, in consequence of his incapacity or misfortune, or as the victim of a vicious system . . . is appointed receiver by the courts . . . and continues to earn probably a larger salary than he did as president. . . . This evil is a monstrous one."—S. Sterne, "Recent Railroad Failures and their Lessons," *Forum*, vol. 17 (1894), p. 31.

Ripley remarked, twenty years later: "The anomaly of rehabilitation entrusted to the very same persons who had brought about the failure is difficult to defend."—*Railroads*, etc., p. 387.

In Re Metropolitan Railway Receivership, 208 U. S. 90 (1908) the Supreme

receiver is a lawyer or publicist in whom the court has explicit confidence.²⁷

Practically the first important work for the receivers to perform is the determination of relative priority of various claims and obligations of the bankrupt railroad. This is a problem requiring delicate judgment.²⁸ The natural assumption, in accordance with the *wording* of the railroad mortgages, is that the holders of bonds issued under these mortgages have a prior lien on the assets of the bankrupt corporation under all circumstances. But the courts have not so ruled. As far back as 1859, a federal court directed that the receiver meet the debts of employees before paying the interest on bonds.²⁹ The court alleged the well-being of the public

Court sought to absolve the equity courts from any accusation of collusion. But the reasoning hides an obvious fact behind legal verbiage.

²⁷ Thus in the receivership of the Chicago, Rock Island and Pacific Railway (April, 1915) Judge Carpenter of the Federal Court appointed two receivers. One was H. U. Mudge, former president of the road and an appointee of the Reid-Moore group of speculators, who were responsible for the misfortunes of the road; and the other was J. M. Dickinson, a distinguished publicist, in whom the court had justifiable confidence. The decree provided that Mr. Dickinson should have the deciding voice in case of any difference of opinion.

²⁸ In the larger reorganizations of the middle nineties the floating debt was almost always in excess of \$10,000,000. Thus the Atchison, Topeka and Santa Fé had at its failure in 1893 over \$10,000,000 of floating debt; so also had the Northern Pacific at the time of its failure in the same year. That of the Baltimore and Ohio was over \$16,000,000, which amount was augmented by some \$10,000,000 before a plan of reorganization was carried through. The floating debt of the Reading at the time of its last failure was estimated at over \$25,000,000. (Daggett, p. 139.) Such large amounts as these necessarily represent perplexing problems, especially as the exact status of various parts of the floating debt with respect to each other and the issues of bonds is usually difficult to determine. (In the Norfolk and Western Railroad failure in 1893 there was over \$300,000 of wage claims alone remaining unpaid.)

If the debt is secured by definite physical property of a stable value like steel rails, or ties, its position is secured, and actual money must be obtained immediately to meet it even though the court feels compelled to issue receivers-certificates, which may take precedence over the bonded debt. But, aside from these claims secured by the pledge of special property, the receiver ordinarily finds a great number of unsecured debts, inherited from the previous period of storm and stress. Moreover, the roadbed and equipment are probably dilapidated, and efficient operation—even public safety—may require immediate expenditures for the mere operation of the road. In this position the receiver appeals to the court to ascertain what old debts he must pay and what new ones he may contract. The answer to this problem has afforded one of the most difficult problems in the law of American railway receivership.

²⁹ *American Railroad Journal*, vol. 15, pp. 475, 598 (Central Ohio, Steubenville and Indiana case).

as an excuse. Gradually, the same view was extended to other debts incurred in the actual operations of the road, on the ground that in no other way could the road render the required service to the public.

During a series of important decisions,³⁰ the United States Supreme Court gradually advanced to the formulation of a doctrine since known as the rule in *Fosdick v. Schall*.³¹ This rule is based on two rather significant postulates. There is first a distinction made between the fundamental property or capital of the railroad and its current property in the form of current income; and there is also a distinction made between those current debts contracted to meet imperative operating expenses and those contracted for extraordinary expenses and improvements not absolutely necessary to maintain the road's operation. The Rule in *Fosdick v. Schall* permitted a court to insist that its receiver meet all his current expenses during the receivership before he should use any current income to meet the charges on capital—bond interest, rentals, and the like. It also provided that if any of the current income, in the period prior to the receivership, had been deflected from its proper and necessary use of meeting imperative operating expenses, to meet capital charges, then to that extent might the receiver give those necessary imperative operating expenses remaining unpaid a priority over the lien of mortgage bonds.

Since the rule in *Fosdick v. Schall* was laid down the federal and supreme courts have shown no uniformity in interpreting it.³² One current of opinion set in toward a total extinction of the presumptive rights of mortgage bondholders, and the other toward the limitation of the priorities of current debts.³³ The whole matter

³⁰ 11 Wall. 459 (1870); 91 U. S. 603 (1875); 94 U. S. 798 (1876); 97 U. S. 146 (1878).

³¹ *Fosdick v. Schall*, 99 U. S. 235, decided March, 1879. This leading case will be discussed in the immediately following notes.

³² As one legal writer expressed it: "The decisions of the Federal Circuit Courts have reflected the uncertainty of the Supreme Court, and the fate of each claim has depended to quite an extent on the ideas of the judge who happened to be sitting in the case."—C. A. Dickson, "Rights of Material and Supply Men in Railroad Foreclosure," *Am. Law Rev.*, vol. 30 (1896), p. 529.

³³ The first tendency is shown by the Supreme Court in *Hale v. Frost*, 99 U. S. 389 (1879), *Burnham v. Bowen*, 111 U. S. 776 (1884), and *St. Louis R. R. v. Cleveland Ry.*, 125 U. S. 658 (1887). In the *Burnham* case, the acts of a receiver in paying old debts, even though there was no evidence that the corporation had deflected current income to capital charges, was confirmed. Rely-

seemed to turn on a balance between two conflicting sets of motives in the minds of the courts. On the one side are the motives of fairness to labor, small contractors, farmers who supply ties, and such creditors who may not be supposed to investigate the general credit of the railroad, but whose services and supplies must be

ing on these and similar decisions, certain of the federal courts, charged with the administration of the receiverships of the middle nineties, sought to emasculate entirely the lien of the mortgage bondholders. The extremes are probably represented by Judges Hanford and Caldwell. The former, in the litigation growing out of the Northern Pacific receivership, asserted "that he who takes a mortgage on a railroad does so with the knowledge that the railroad must be operated, and that its earnings must, so far as necessary, be absorbed in the payment of operating expenses."—*F. L. & T. Co. v. Nor. P. R.R. Co.*, 71 Fed. 246. Judge Caldwell, in one important opinion (*Farmers L. & T. Co. v. Kan. City W. and N. R.R.*, 53 Fed. 182), went so far as to give practically all current debts a priority in the capital estate of the corporation. He justified his attitude in a notable address before the Greenleaf Law Club of St. Louis (*Am. Law Rev.*, vol. 30, p. 161) on the ground that there is sometimes collusion between the stockholder-management of the railroad and its bondholders, citing the famous Memphis and Little Rock case (20 Fed. 260). This attitude is argued at length in an elaborate note by M. M. Cohn, 53 Fed. 192. Also *Ames v. Union Pac. Ry.*, 74 Fed. 335 (1896).

The opposite, more conservative current of judicial opinion, served to limit the scope of the rule in *Fosdick v. Schall*. In the Miltenberger case (called by Supreme Court Justice White "a leading case" in 197 U. S. 192), the Supreme Court stated that "the discretion (to give pre-existing debts a priority) should be exercised with very great care"—*Miltenberger v. Logansport Ry. Co.*, 106 U. S. 311 (1882)—and proceeded to limit specifically the priority claims. Noting, some eight years later, the extreme liberality with which certain federal court judges were wont to interpret the rule in *Fosdick v. Schall*, the Supreme Court said: "One holding a mortgage debt upon a railroad has the same right to demand and expect of the court respect for his vested and contracted priority as the holder of a mortgage on a farm or lot. . . . No one is bound to sell to a railroad company or to work for it, and whoever has dealings with a company whose property is mortgaged must be assumed to have dealt with it on the faith of its personal responsibility, and not in expectation of subsequently displacing the priority of its mortgage liens. . . . We emphasize this fact of the sacredness of contract liens for the reason that there seems to be growing an idea that the chancellor, in the exercise of his equitable powers, has unlimited discretion in this matter in the displacement of vested liens."—*Kneeland v. American Loan and Trust Co.*, 136 U. S. 97 (1890). And Chief Justice Fuller stated a little later, "We readily agree that the concession to a mortgagor company of the power through its own act to displace vested liens by unsecured claims is dangerous in the extreme."—*Quincy M. and P. R. R. v. Humphreys*, 145 U. S. 96 (1891). See also *Thompson v. Western Car Co.*, 149 U. S. 95 (1892); 71 Fed. 29 (1895).

During the time that the rule in *Fosdick v. Schall* was being interpreted by the courts, many magazine articles, legal notes and discussions appeared, all

furnished, regularly and liberally, in order to insure uninterrupted operation. Coupled with this is the imperative public necessity of operation, a necessity which the public character of the railroad business places ahead of the merely private property rights of stockholders and bondholders. On the other side lies the respect which the courts must extend toward contracts, especially those resting on a mortgage of specific property.³⁴

In the application of the rule in *Fosdick v. Schall* to concrete cases, two insistent practical problems are presented: what are necessary operating expenses, and over how long a period before the receivership shall the priority order be extended. A long series of cases decided in the Supreme Court presents somewhat conflicting opinions as to what constitute necessary current operating expenses.³⁵ In two important decisions, the courts have

concerned with the justice and expediency of superimposing current expense debts over mortgage liens. The best unbiased treatment is C. A. Dickson, "Rights of Material and Supply Men in Railroad Foreclosures," *Am. Law Rev.*, vol. 30, p. 520. A less comprehensive treatment with less apparent insight is L. S. Metcalfe, Jr., "Priority Over Mortgage of Debts Contracted by Railroads before Receiverships," *Gen. Law Journ.*, vol. 39 (1894), p. 241. An early statement, now of little value, is G. T. Bispham, "Rights of Material Men and Employees," *Am. Bar. Assn. Rep.*, vol. 3 (1880), p. 167, which aims to show the danger of the rule in *Fosdick v. Schall*, then being established. S. D. Thompson, "The Court Management of Railroads," *Am. Law Rev.*, vol. 27 (1893), p. 481, takes the same point of view in a polemic against the management of railroads by the court. There was an elaborate legal note by M. M. Cohn, covering the subject, 53 Fed. 182. Note also on the subject in *St. Louis T. Co. v. Riley*, 70 Fed. 32 (1895).

³⁴ A summary of the present attitude of practicing reorganization attorneys is given by Byrne in *Some Legal Phases*, etc., p. 123.

³⁵ The Supreme Court has specifically defined current operating debts as "debts not contracted upon the personal credit of the Company but to keep the road itself in condition to be used with reasonable safety for the transportation of persons and property, and with the expectation of the parties that it is to be met out of the current receipts of the company."—*Sou. Ry. Co. v. Carnegie Steel Co.*, 176 U. S. 285 (1900). Such current necessary expenses do not now include the costs of betterments, no matter how desirable.

Originally, the rule in *Fosdick v. Schall* (99 U. S. 235) was worded "necessary operating and managing expenses, proper equipment and useful improvements." But "useful improvements" were subsequently denied in the lower courts (1909). *Ill. T. and S. B. v. Doud*, 105 Fed. 123 (1900) and *Rhode Island Loc. W. v. C. T. Co.*, 108 Fed. 5 (1900). And in the Supreme Court—*Wood v. Guaranty T. Co.*, 128 U. S. 416 (1888). Even a debt for rails "imperatively required in order that the road may be safely used for transportation of persons and property" was denied priority on the ground that the quantity of rails was so large as to constitute a reconstruction of the road.—*Lackawanna*

tried to define specifically the current debts that could claim priority. These are the debts for labor, the unpaid balances for current expenses due, connecting roads,³⁹ and materials for such maintenance as must be "done before the road can be occupied or used," not . . . "to replace old or worn-out counterparts."³⁷ In other words, debts for services and materials without which the established routine operation of the road would stop.³⁸ The other practical question in this connection is the age of the claims. All decisions admit that if a merchandise creditor has allowed his account to remain uncollected for a considerable period, he must be presumed to be depending on the general credit of the road. The debt, no matter of what character, is therefore not entitled to any priority. But the exact period of grace has been left to the judges of the federal courts appointing the receivers, and the Supreme Court has confirmed their decisions whenever the particular facts show them to have been reasonable and just.³⁹ A period of six months has been explicitly approved by the Supreme Court in a comparatively recent decision⁴⁰ and has been quite generally adopted as a working principle by the federal courts of the East or Middle West.⁴¹

Iron and Coal Co. v. F. L. & T. Co., 176 U. S. 298 (1900). The Supreme Court has even denied the priority of a debt for new ties to replace decayed ties, on the ground that the road could somehow operate with the old ties—*Gregg v. Metro. Trust Co.*, 197 U. S. 183 (1905). It should be noted, however, that this latter case, the Gregg case, has the force of this extreme position somewhat weakened by the dissent of three of the justices on the ground of public policy.

³⁶ *Miltenberger v. Logansport Ry. Co.*, 106 U. S. 286 (1882).

³⁷ *Clev. C. and S. v. Knickerbocker T. Co.*, 86 Fed. 73 (1898).

³⁸ For more extended discussion of the preferred claims in the various cases mentioned in the three preceding notes, see particularly the Miltenberger and Gregg cases, cited above. The strict and liberal interpretations are clearly contrasted in the prevailing and dissenting opinions of the latter case. See also Macken, *Modern Law of Corporations*, 564.

³⁹ It is impossible to state definitely any arbitrary rule. In one case the Supreme Court approved a limit of three months.—*Miltenberger v. Logansport Ry. Co.*, 106 U. S. 325 (1882). Justice White later called this the leading case dealing with the preference of different claimants (197 U. S. 192), while another court allowed a debt of nearly two years to have preference over bonded debt.—*Atkins v. Ry. Co.*, 3 Hughes C. C. 307. See also *N. P. R. R. v. Lamont*, 69 Fed. 23 (1895). Note on time fixed in different decisions prior to 1884, 22 Fed. 476.

⁴⁰ *Gregg v. Metro. Trust Co.*, 197 U. S. 183 (1905).

⁴¹ See note, High, *Receivers*, p. 512, stating courts which have and have not accepted the six months' limit. The "six months rule" is accepted by eastern state courts. For example, "the usual rule is to allow prior claims for materials

Closely allied with the question of the priority of current debts is that of the right of receivers to issue receivers-certificates to take precedence over the preëxisting general creditors⁴² or even the mortgage bondholders.⁴³ Here too the law is by no means clear. The receiver asks of the court permission to issue certificates. In this petition he must designate in considerable detail the purposes for which he wishes to use the proceeds obtained from their sale; yet the general purposes for which receivers-certificates may be issued have never been definitely defined by the courts.⁴⁴ But it may be said that the courts are willing to permit the receiver to issue his certificates without much question and to any reasonable amount, if it appears that the interest and principal can be met from the current earnings of the road, or if the bond-

and labor for the six months preceding the appointment of a receiver."—*Rutherford v. Penn. Mid. R.R.*, 178 Penn 42 (1896). Judge Caldwell asserted explicitly there was no six months limit.—*Far. L. & T. Co. v. Kan. City Ry. Co.*, 33 Fed. 182 (1892). The Supreme Court has stated that the six months rule did justice ordinarily, but that older claims might be given priority in unusual circumstances.—*Southern Ry. Co. v. Carnegie Steel Co.*, 176 U. S. 285 (1900).

⁴² Receivers-certificates may be even given priority over the claims for current operating expenses under the rule in *Fosdick v. Schall*.—*Bank of Commerce v. Cent. Coal and C. Co.*, 115 Fed. 878 (1902).

⁴³ The priority of the certificates, unless expressly limited by the court, reaches under any debts contracted by the road. See 13 Atl. Rep. 271; also *Amer. v. Union Pac. Ry.*, 74 Fed. 335 (1896). But if the receiver was appointed at the request of certain junior mortgage bondholders, he would not ordinarily be permitted to issue receivers-certificates having a lien prior to a senior mortgage. See a series of discussions in the federal courts, by no means uniform, 54 Fed. 556 (1893); 62 Fed. 771 (1894); 71 Fed. 776 (1896); 79 Fed. 196 (1897); 102 Fed. 382 (1900). The matter is by no means clear, as a liberal interpretation of the priority of operating expenses—even before the receivership—as laid down by the Supreme Court in the rule *Fosdick v. Schall*, and interpreted in the Illinois Midland case—*Union Trust Co. v. Illinois Midland R.R. Co.*, 117 U. S. 434 (1886)—would seem to give the court unlimited power in the issue of receivers-certificates. Also *Amer. Trust Co. v. Metro. Steamship Co.*, 183 Fed. 250 (1910); and 190 Fed. 113 (1911); *Atlantic Trust Co. v. Chapman*, 208 U. S. 360 (1908). In actual practice, the court tries to be precise in defining the priority of the receivers-certificates it authorizes. For references to a number of instances of liberal use of receivers-certificates, see Cleveland and Powell, *Railroad Finance*, p. 243.

⁴⁴ The mere appointment of the receiver does not empower him with the court's authority to borrow on receivers-certificates. Nor does the assumption by the receiver that the court will permit him to borrow give the borrowings a priority over other forms of indebtedness. For discussions see the leading Illinois Midland case, 117 U. S. 434 (1886) and other cases cited in preceding note.

holders consent to their issue.⁴⁵ Certificates may even be issued if they infringe on the actual capital of the railroad property—even to the point of cutting under prior lien mortgages⁴⁶ provided it is necessary to obtain money for the preservation and operation of the property.⁴⁷ They may also be issued to meet the debts for labor and necessary materials during the period just prior to the receivership,⁴⁸ although such certificates may not have the same priority as those issued to pay the debts of the receivership.⁴⁹ When this liberality of issue is carried to an extreme, courts of equity may so burden a railroad with receivers-certificates that the value of the mortgage bondholder's lien is absolutely obliterated. In several recent instances, this has been exactly what has happened, and the bondholders have had nothing of real value left when the time came to discharge the receiver. It is this power of the courts of equity, supported by a series of Supreme Court decisions,⁵⁰ that jeopardizes both the spirit and the letter of rail-

⁴⁵ *Rutherford v. Penn. Midland R.R.*, 178 Penn. 38 (1896). Pennsylvania Supreme Court permitted issue of receivers-certificates to complete line at "the request of a very large proportion of bondholders, and without prejudice to the non-assenting."

⁴⁶ Leading case *Wallace v. Loomis*, 97 U. S. 146 (1878); *Union Trust Co. v. Illinois Midland R.R. Co.*, 117 U. S. 434 (1886). For comments on this doctrine see *Kneeland v. Am. L. & T. Co.*, 136 U. S. 89 (1889).

⁴⁷ On November 2, 1917, the bondholders' committee of the Gulf, Florida and Alabama Railway urged the depositing bondholders to accept a rather drastic reorganization plan which revealed an interesting case of the gradual emasculation of the bondholders' lien by a receiver. It appeared that \$500,000 of receivers-certificates had been given by the court a lien ahead of \$4,000,000 first mortgage bonds. "Of these only \$222,500 had actually been sold and the proceeds used largely to satisfy lien claims incurred previous to the receivership, and for operating deficits." The remainder could not be sold, and there was an operating deficit of \$10,000 per month; "so that a debt is piling up prior to the bonds which must be stopped at once to preserve any value in the bonds."

⁴⁸ *Union Trust Co. v. Illinois Midland R. Co.*, 117 U. S. 434 (1886).

Apparently the court must be convinced that the materials and services are required for the actual operation—necessary operating expenses as defined in the earlier part of this article.—(*Rogers B. C. Co. v. Omaha K. C. E. R. R.*, 154 Fed. 629, 1907)—and would frown upon allowing the expenses of extraordinary replacements and betterments to be paid out of the proceeds of receivers-certificates. It should be noted, however, that the distinction will depend upon the theories of railroad accounting and the standards of operating efficiency adopted by the courts.

⁴⁹ *B. of C. v. Cent. C. & C. Co.*, 115 Fed. 878.

⁵⁰ *Am. B. Co. v. Heidelberg* 94 U. S. 798 (1876); *Wallace v. Loomis*, 97 U. S. 146 (1878); *Fosdick v. Schall*, 99 U. S. 235 (1879); *Swann v. Clark*, 110 U. S. 602 (1883); *Union Trust Co. v. Illinois Midland R.R. Co.*, 117 U. S. 434 (1885).

road mortgages. The possible exercise of this power by the federal courts weakens every public utility bond. It has been called the "extreme limit of the most extraordinary powers of a court of chancery."⁵¹ The present writer would prefer to call it an unjustifiable emasculation of the substance of presumably inviolable contracts.

During the period that the receivers are working out these and other detailed problems of the actual management of the railroad, the various committees are at work seeking to find a substantial basis upon which to establish their plan of reorganization.⁵² This requires a knowledge of at least five sets of facts. First, they must ascertain by competent auditors whether or not the published reports of the railway in the years preceding the failure were approximately true. The audit must not only verify the technical correctness of the books, but it must also determine whether or not the depreciation accounts were adequate, and if they were not—as was probably the case—to what extent the reserves were inadequate. The auditors must also ascertain whether or not all the rolling stock, claimed by the road to be in fit "usable" condition, was actually in use or in fit condition; they must check all the rentals, insurance policies and intercompany contracts to be sure that the old managers had protected the company's contractual rights. The second set of facts is supplied by special traffic accountants working independently or in collaboration with the auditors. It involves a nice determination of the relative and absolute earning capacity of the various parts of the railway system. This is important because only by classifying the subsidiary lines and leased lines according to their past earning capacity can the reorganization committees determine what parts of the system to retain in the subsequent reorganization and what parts to surrender.⁵³ The third set of facts is supplied by engi-

⁵¹ Machen, *Modern Laws of Corporation*, Sec. 2049.

⁵² It is becoming the custom in large railway reorganizations for the receivers not "to concern themselves with plans for reorganization." Quotation from Judge Lacombe, *Penn. Steel Co. v. N. Y. City Ry.*, 157 Fed. 442 (1907).

⁵³ In the earlier reorganizations this classification, if any were made, was more or less a matter of guess work. In the Wabash reorganization of 1887, all subsidiary parts were retained and approximately equal sacrifices enforced on all the branch line bondholders. In the Atchison reorganization of 1888, there was no attempt to separate the subsidiaries according to earning power. But in the Norfolk and Western reorganization of 1896 and in the voluntary reorganization of the Baltimore and Ohio in 1899 there was a "guesswork" attempt to apportion the sacrifices of the branch line bondholders according

neers. They consist of a careful summary of those expenditures which must be made in the immediate future and those which are to be recommended in order to increase materially the future earning capacity of the road. The committee must know these facts in order to estimate the amount of new money to be provided in the reorganization. A fourth set of facts are supplied by attorneys, acting for the reorganization committee. They have to do with the countless legal matters resulting from the general tangle: what contracts may be safely abrogated and what contracts must be fulfilled even at temporary losses, the amounts required to settle with parties holding contingent claims in order to forestall troublesome delays, the probable outcome of pending suits and the approximate expenses of the receivership and reorganization. A fifth set of facts the reorganization committees must supply themselves, and since there are among their number distinguished bankers they require no independent expert advice. These facts cover the general probability for the successful negotiation and sale of the securities of the reorganized road. The committee must assess accurately the probable effect of their reorganization plan on the market values of old and new securities, the limit of sacrifice stockholders will make without surrendering their interests, the relative marketability of long and short-term bonds, underwriting commissions and similar financial matters. Out of the shreds of these, and perhaps countless other facts, the reorganization committee must weave the pattern of its reorganization plan.

In all this work of preparation of the final reorganization plan, the receivers of the road are not considered.⁵⁴ But they report

to the probable relative earnings of the branches. In both the St. Louis and San Francisco, and Missouri Pacific reorganizations in 1916 and 1917 efforts were made by the general reorganization committees to determine the actual earning capacity of the subsidiary and branch lines and to apportion the sacrifices accordingly. The committees reached their findings with the help of elaborate reports by engineers, accountants and traffic experts.

During the receivership of the Bay State Street Railway in 1918, accountants classified the unprofitable branch lines as: (1) Those which would pay, provided there was a reasonable increase in fare; (2) those which would pay provided there was a reasonable increase of fare and substantial subsidies from the local towns; (3) those which would not pay under any reasonable conditions.

⁵⁴ Meade, writing in 1901, after the railroad reorganizations of the nineties, states: "The receivers or the directors may themselves formulate a plan of reorganization, or they may appoint a committee to formulate such a plan,

continually to the court the results of their administration of the railroad property. From these reports the reorganization committees can form estimates of the current earning capacity of the road. They can also judge when the time is ripe to bring forth their reorganization plan. Formerly plans were propounded by one committee after another, beginning almost as soon as the rumors of the railroad's disaster.⁵⁵ But now it is the custom for the reorganization committees to wait until they have gathered a complement of information and until the earning capacity of the road, under the receivership, has been fully tested. During this time, the various committees adjust their differences on the basis of actual facts, so that finally, when the plan is announced, it will have received the acknowledged support of all the committees representing the conflicting interests.

In contrast to the reorganizations before 1900, it may therefore be said that the contemporary practice is to lengthen out the period of preliminary investigation and adjustment, during which time no reorganization plan is published, and, so far as possible, to shorten the period of public discussion over the plan through a preliminary agreement on the part of all the influential interests to support the final plan as soon as it is published. Practically all the recent reorganizations have run along smoothly in an orderly manner to outward appearances. The Chicago, Rock Island and Pacific, the St. Louis and San Francisco, the Pere Marquette—all of them reorganizations involving a multitude of conflicting interests—were consummated without apparent external friction once a definite and final plan had been agreed to secretly by the various committees representing important securities.

To secure this harmony of interests, working for the success of a common plan, is the most important and the most difficult step

to which they invite the assent of the security holders."—E. S. Meade, "The Reorganization of Railroads," *Am. Acad.*, vol 210 (1901), p. 210. This assertion has now little significance, even if it had twenty years ago. The tendency is for the receivers to concern themselves but little with the preparation of the plan, as courts are insisting that their receivers remain absolutely neutral in all questions likely to cause controversy among the various security holders.

⁵⁵ For example, there were no less than seventeen separate plans advanced in connection with the three reorganizations of the Philadelphia and Reading Railroad reorganization of 1882-6 plans; reorganization of 1886-7 plans; reorganization of 1895-6 plans. An illuminating survey of the almost hopeless confusion of conflicting committees and conflicting plans in an old reorganization is given in Daggett's two chapters covering the three reorganizations of the Reading.—*Railroad Reorganizations*.

in the reorganization procedure. All, except perhaps the senior bondholders, must make some sacrifices. But the determining voice lies usually with the committee representing those securities—usually the junior mortgage bonds or debentures—of which some sacrifice is required, but which is, nevertheless, in a relatively secure position as compared with the holders of the floating debt and the stocks. In other words, the plan is likely to be determined by the faction making the least sacrifice.

Out of the conflict of opinions and interests, a plan of reorganization is finally evolved. Before the receiver surrenders the property, or even before the foreclosure sale,⁵⁶ this plan is published with the recommendation of all the committees that it be accepted by the various groups of security holders. The latter are asked to become parties to the "reorganization agreement," which is the formal legal document that invariably accompanies "the plan."⁵⁷ By so doing, they acquiesce to the terms of the

⁵⁶ It is inexpedient for the members of the committee to take steps to secure the reorganization until after the plan has been announced, as no such action is usually provided for in the original deposit agreement, and an assumption of authority would be interpreted by the security holders, and even by the courts, as evidence of coercion. In one noted case the deposit agreement under which the reorganization committee acted provided that the committee could buy the railway property after it had announced a plan of reorganization. It bought the property before the announcement. The court decided this was a breach of contract, notwithstanding the very general powers granted the committee.—*Industrial, etc. v. Tod*, 180 N. Y. 215 (1905). In order to forestall obstructionists, Cravath advises that a foreclosure decree be obtained before the announcement of the plan; and permission so to do must be included in the original deposit agreements. On the other hand, any such procedure prevents any voluntary settlement among the security holders on the basis of an eminently fair and advantageous plan—as in the Baltimore and Ohio reorganization of 1899. There was one notable case, the Texas and Pacific reorganization of 1887, in which a voluntary adjustment with all the security holders was made after the foreclosure sale, so that the sale was never confirmed.

It is, however, necessary to note, in passing, in view of the *Tod* case above mentioned, that the reorganization committees must not overstep any of the authorities or limitations and restrictions specifically imposed upon them by the deposit agreements under which they are acting. See also *United Water Works Co. v. Omaha Water Co.*, 164 N. Y. 41 (1900).

⁵⁷ Care should be taken to distinguish between the "reorganization plan" and the "reorganization agreement." The former is the short, comprehensive statement of the financial side of the reorganization; it is an easily understood document, free from legal verbiage and intended for wide distribution. The "reorganization agreement" is an elaborate legal document. It covers the details of the "plan," together with a full and presumably exhaustive statement of the powers and limitations of the committee or committees which will carry

reorganization, and on paying their assessment, if any is called for, receive their allotted securities in the new corporation. Those who do not care to accept the terms of the reorganization are allowed to withdraw the securities originally deposited,⁵⁸ usually on the payment of a small fee to cover the expenses of the committee. If, as is probably the case, a very large proportion of the security holders consent to the conditions, the reorganization committee declares the plan operative, and the reorganization is finished except for the legal formalities.⁵⁹

These legal formalities are, however, often very perplexing, and depend largely on the attitude of the old security holders. If practically all the security holders accept the plan, surrendering their old stocks and bonds, then no pressure upon a recalcitrant minority need be exerted. There need be no judicial sale of the old corporation's property, and no surrender of its charter. This was what happened in the great reorganization of the Baltimore and Ohio Railroad in 1899. But a complete adjustment with all the claimants and security holders is usually impossible. Some persons will feel themselves aggrieved in any plan of reorganization, and there are always strikers—to be discussed presently—who will seek to impede the progress and try to create for themselves a nuisance value, in hopes that the reorganization managers will buy them off at some fictitious price. To carry out the obvious will of the great majority of assenting claimants and security holders, the reorganization must be forced through and the dissenting minority and obstructionists settled with in a just and open manner fully approved by the court.⁶⁰ This is accomplished by the judicial sale out the "plan," the rights of the assenting security holders, and a detailed account of the machinery by which the reorganization will be consummated. P. D. Cravath writes an illuminating defense of the inordinate length of the modern reorganization agreement.—*Some Legal Phases*, etc., p. 176.

⁵⁸ *Colonial Trust Co. v. Wallace*, 183 Fed. 897 (1910).

⁵⁹ Ordinarily finished. By declaring the plan operative, the various contracts of security holders, syndicate subscribers, and debt claimants become binding. But, the plan may be subsequently modified—providing always that the modifications are acceptable to the contracting parties—and it may even be set aside entirely and a new plan adopted. Generally speaking, however, when the plan has been declared operative, it indicates that the main adjustments have been accomplished and only the loose ends remain unfinished. These may require considerable time, as the wheels of equity procedure move slowly, but to all outward intents and purposes the reorganization has been consummated.

⁶⁰ The court, by approving of the conditions of the judicial sale, may indirectly force the dissenting minority to accept the plan of reorganization approved by the assent of an overwhelming majority. But the court cannot

of the old corporation's property through a decree of foreclosure.

In theory, at least, the foreclosure of a great railroad system is similar to that of the foreclosure of a mortgage on a house,⁶¹ but in actual practice the courts tolerate the doctrine that the "foreclosure proceedings of mortgages covering extensive railroad properties are not necessarily conducted with the limitations that attend the foreclosure of ordinary mortgages."⁶² In fact, it was recognized long ago that the court might arrange the formal steps in the foreclosure with a view to facilitating the execution of a plan of reorganization already agreed upon and, by implication, approved by the court.⁶³ If need be, it will even order a sale of the corporation's property before the status of different claimants is determined, on the assumption that the quicker the reorganization is carried out, the better will it be for all concerned.⁶⁴ Here, as elsewhere in this complicated subject, lies the general rule that the courts have sought to facilitate the adjustment of purely private dissensions with a view first of all to the larger questions of public policy. Judging from the words of perhaps the ablest student of reorganization, they have not abused this power.⁶⁵

directly force a security holder to accept a plan. "It is clear that the courts cannot directly or indirectly rewrite this reorganization agreement."—*Guar. T. v. Inter. Steam Pump Co.*, 231 Fed. 595 (1916). This was tried in one notable case, but the United States Circuit Court of Appeals (Supreme Court Justice Brewer rendering the opinion) declared against any such use of the court's power on the ground that "there is no wide discretion vested in the chancellor which permits him to disturb contract rights—the rights of property . . . It is not for the court to assume the power to compel because it believes it wise and good business . . . Every man in this country decides questions in respect to his own property for himself."—*Merchants Loan and Trust Co. v. Chicago Ry. Co.*, 158 Fed. 923 (1907).

⁶¹ The trustee of one of the junior mortgages just above those underlying mortgages which are not to be disturbed in the reorganization, moves for a judicial sale of the corporate property of the railroad. This position is usually unopposed by the railroad. For details of procedure, see Byrne's essay entitled "Foreclosure of Railroad Mortgages" in *Some Legal Phases*, etc.

⁶² *Louisville Trust Co. v. Louisville, N. A. and C. Ry.*, 174 U. S. 682 (1899).

⁶³ *Soye v. Cent. R.R. Co.*, 99 U. S. 334 (1878).

⁶⁴ *First Nat. Bank v. Shedd*, 121 U. S. 74 (1886). See also *Alabama G. Co. v. Robinson*, 72 Fed. 708 (1896); *Guaranty Trust Co. v. Metro. Street Ry. Co.*, 168 Fed. 937 (1909) and 177 Fed. 925 (1910).

⁶⁵ "It is a source of pride, or ought to be, to every lawyer and man of business, that as a rule our federal tribunals have so used their powers as to conserve the right of property and to bring about the greatest good to the greatest number regardless of mere technical rules."—Joline, *Lectures, Harvard School of Business Administration*, p. 83.

The next step is the "decree" of sale, according to which the court preserves the outward form of the fiction of a foreclosure sale.⁶⁶ Owing to the fact that the foreclosure of the property of a great railroad corporation requires far more capital than a single man or group of men can command, the court recognizes that there will be no competition at the foreclosure sale of the property. In order to prevent the various parties who have agreed among themselves upon a workable plan of reorganization from conspiring together to purchase the property for little, and thus defeat the just claims of other creditors who have not pooled their interests, the court ordinarily fixes a minimum or "upset" price.⁶⁷ It is the amount which the receivers must realize from the property in order that the court shall confirm the sale. It amounts, practically, to the determination by the court of the price at which the reorganization committee may acquire the property of the old corporation at a public sale, and indirectly to the conditions according to which the committee must settle with the creditors who have not consented to its plan. There is, theoretically at least, a chance that other persons may care to pay more for the property than the reorganization committee,⁶⁸ and the general creditors not embraced in the committee's plan should be given—theoretically at least—an opportunity to bid in the property in satisfaction of their own liens. Moreover, the public sale preserves the form of legal procedure required in the foreclosure of a mortgage on a plot of land. But it is a foregone conclusion that the only bidder will be a representative of the reorganization committee, and his bid will represent a few dollars more than the court's upset price.⁶⁹ Accordingly, in recent practice, many courts,⁷⁰ to save the expense and notoriety connected with a public sale, authorize the receivers to give notice that they propose to

⁶⁶ For details, see *Some Legal Phases*, etc., p. 139.

⁶⁷ Cravath, *ibid.*, p. 202.

⁶⁸ Very seldom indeed is this chance realized. Cleveland and Powell cite the interesting example of the Cape Fear and Yadkin Railroad, which was bid in by the Atlantic Coast Line interests in opposition to the plan of the reorganization committee acting for the Seaboard Air Line Railway.—*Chronicle*, vol. 67, p. 1355.

⁶⁹ As very succinctly stated by Byrne: "The railroad company is an empty shell; its bondholders, creditors and stockholders are going to be the purchasers and to be, with such people as agree with them to put fresh money into the property, the bondholders and stockholders of the new company which is to own the road after foreclosure sale."—*Some Legal Phases*, etc., p. 142.

⁷⁰ Particularly those of New Jersey.

sell at private sale the property of the corporation to the reorganization committee in accordance with their prearranged plan. If any one objects, or can guarantee that a larger sum shall be obtained at a public offering, the court will authorize it. Ordinarily no one objects, and the plan is carried out at a distinct saving of expense.

If no upset price is fixed, or if it is very high, the bid obtained by the receiver may be less than what the court deems just. A second, or even third, sale may be ordered in the hope of obtaining more. Sooner or later, the sale is confirmed by the court and the property comes into the possession of the new owner; and, automatically, the administration of the receiver ceases.⁷¹

The most difficult problem remaining to the reorganization committee after the sale is that of the final adjustment of conflicting interests. In case all the bonds are of one class, are all deposited with the reorganization committee, and there exist no other creditors, the transition from control by the receivers to that of the new corporation occurs without a possibility of friction. But such simplicity is seldom present. There are always claims to be adjusted. If the upset price exceeds the face value of one or more issues of underlying bonds, these bonds are not affected; in the vocabulary of finance they are "undisturbed." If the upset price does not equal the face value of a bond issue some adjustment is necessary with those of the bondholders who have not consented to enter the reorganization, and some kind of settlement must also be made with other creditors who refuse to consent to the plan.

These active and latent objectors are called "strikers." They

⁷¹ The only exhaustive study made of the relative lengths of receivership is that of a table compiled by Swain, published in 1898. Using this table, with certain interpolations and adjustments, it may be said that of the 610 railroad receiverships established prior to January 1, 1894, 110, or 18 per cent, lasted less than one year; 147, or 24 per cent, between one and two years; 115, or 19 per cent, between two and three years; 85, or 14 per cent, between three and four years; and the remainder, 153, or 25 per cent of the whole, lasted more than four years. Altogether, the average duration was two years, ten months.

The present writer is of the opinion, although he has compiled no statistics to prove it, that the length of railroad receivership has increased of late years. Prior to 1890 so many small roads passed into the hands of receivers, whose affairs could be easily adjusted, that the average period was less. Recently, however, owing to railroad consolidation, every receivership represents an intricate problem which requires a comparatively long time to solve. Moreover, the standards of efficiency are much higher than before 1893, and a court is reluctant to loosen its grasp on a railroad property until it is assured that permanently good service can be rendered the public.

are of two groups. There are the general creditors of the corporation, who have furnished it with labor and material before the failure and who, being relatively few in number, have neither organized nor otherwise intervened in the proceedings. They cannot be neglected, and provision is made that their claims may be paid entirely or partially out of the money subscribed at the time of the reorganization. In case they are not satisfied with the adjustment accorded them, one or more may begin legal proceedings to set aside the foreclosure sale or otherwise hinder the course of the reorganization. The legal standing of these general creditors is by no means clearly defined, but the leading *Kansas City Southern* case seems to countenance the theory that they may be ignored if the railroad property is worth less than the mortgage debt, but must be included in the reorganization if the property is worth more.⁷²

The other class of strikers are the security holders who object

⁷² In one notable case a general creditor was able, through a noteworthy decision of the Supreme Court to annul the work of the reorganization committee merely because an agreement had been reached—as is always the case—between the stockholders and the bondholders. The court seemed to assume that such an agreement looking toward the foreclosure of the corporate property by the stockholders and bondholders, no matter under what conditions, was likely to work harm to the excluded general creditor, because he is ordinarily not strong enough to defend himself against the combination of security holders. This was the famous *Monon* case.—*Louisville Trust Company v. Louisville, New Albany and Chicago Ry. Co.*, 174 U. S. 674 (1899). It has latterly been strengthened by the now equally famous *Northern Pacific* or *Boyd* case, in which the court allowed an unsettled judgment against the old *Northern Pacific Railroad* to be levied against the new, reorganized *Northern Pacific Railway*, on the ground that the reorganization plan made no provision for the unsecured creditors, although it permitted the old stockholders to retain an interest in the new railway company by the exchange of old shares for new.—*Nor. Pac. Rd. Co. v. Boyd*, 228 U. S. 482 (1913). “Any device,” said the prevailing opinion of the Supreme Court, “whether by private contract or judicial sale under consent decree, whereby the stockholders were preferred before the creditor, was invalid” (504). For comprehensive account of the *Boyd* case, see Cravath, *Some Legal Phases*, etc., p. 191. On the other hand, a long series of legal decisions, based on the theory that the general creditors have the privilege of combining together and buying in the property, the same privileges possessed by other creditors, has given legal support to the machinery of reorganization and the final settlement with them on the basis of the arbitrary upset price determined by the court. For instance, in an opinion delivered by the Supreme Court soon after the *Monon* case, the legality of a sale of property to the reorganization committee was upheld even though the committee had promised to give the old stockholders an interest in the new corporation. The only question was this—Was the property worth more than the mortgage bonds? If it was, then the general creditor had an interest in

to the conditions of the plan or the general procedure connected with the sale of the property, or even the execution of the reorganization agreement.⁷³ Although not ordinarily powerful enough to reorganize the company in their own way, they are in a position to delay the reorganization by litigation. Sometimes these "strikers" have a real grievance. In the Philadelphia and Reading reorganization of 1887 the majority of a junior issue of bonds formulated a plan in opposition to that adopted, and agreed among themselves not to comply singly with the provisions of the operative plan. Ultimately the committee felt compelled to pay them the par value of their bonds.⁷⁴ There are speculators in New York who make it their business to "hold up" reorganization committees,

the equity; if it was not, then the general creditor had none. In the latter case, the mortgage bondholder could, if he chose, surrender some of his interest in the property to the stockholder—or anybody else—without defrauding the general creditor.—*Dickerman, Trustee, v. The Northern Trust Co.*, 176 U. S. 181 (1900). And in the rehearing of the Monon case, above referred to, this view was maintained by the federal court.—103 Fed. 110 (1900). And the theory may be regarded as generally accepted, in spite of the apparent anomalies of the Monon and Boyd decisions, that the foreclosing bondholders may do with the property as they like, provided there is no equity remaining to the general creditors from which they were fraudulently debarred.—*Kansas City Sou. Ry. v. Guardian Trust Co.*, 240 U. S. 166 (1916). Yet the courts very naturally scrutinize, with great care, a reorganization agreement in which the stockholders are admitted to an interest in the new company, if the old company's debts are not all paid. "Unquestionably the sale of a railroad property under foreclosure proceedings to a committee of reorganization, according to whose plan the stockholders of the mortgagor company appear to obtain some benefit in the purchasing company, is open to the closest scrutiny."—Joline, *Lectures*, p. 52. Any suggestion of fraud or coercion or apparent injustice will defeat the proceedings. "But where," in the words of the Chicago and Erie decision, "in ordinary course, foreclosure is instituted and carried out for the honest purpose only of enforcing against the property the mortgage obligation, the mere fact that shareholders of the old company may, under a purchasing arrangement, become interested in the securities of the new, will not make the foreclosure *per se* fraudulent. . . . We see no reason why the purchaser for reorganization may not include any one whom he chooses to take into the organization, and may not contemplate even an exchange of some of the new securities for outstanding shares. To the extent that the property is worth something more than the mortgages, the general creditors are interested in any subsequent distribution. But beyond that, their interest does not extend."—*Wenger v. Chicago and Erie Railway Company*, 114 Fed. 34 (1902).

⁷³ See Cravath, *Some Legal Phases*, etc., p. 202 ff.

⁷⁴ It should be noted, however, that the committee was anxious to effect the reorganization without foreclosure proceedings, as there were reasons to suppose that the old charter was valuable and should be preserved. Had the committee been willing to foreclose, this "settlement" would have been unnecessary.

and such is the impatience of business men, such the possible delays in litigation, and such the expenses of a prolonged receivership, that "strikers" are ordinarily bought off. This practice only aggravates the evil. One man in particular has obtained an unenviable reputation by his numerous exploits. The fact remains that, in spite of questions of ultimate justice, in a field where justice is necessarily tempered by expediency, the effort of a few to exact onerous terms from a majority by using or threatening to use the courts for purposes of delay, can hardly justify itself, whatsoever the plea.⁷⁵

As soon as the various conflicting interests are adjusted—in the majority of cases even before final settlements are reached—the reorganization committee causes a new corporation to be formed. The same name is retained, except that railroad is changed to railway, or company to corporation.⁷⁶ In due course of time, the assets bought at the receivers' sale are transferred to the new corporation.⁷⁷ The reorganization is completed.

ARTHUR S. DEWING.

⁷⁵ The late Adrian H. Joline put the matter well when he said: "I confess that I have a most profound contempt for most of these 'bona fide holders' who try to block reorganizations; usually I could name two or three men who are responsible for these blackmailing enterprises. . . . I speak of this, because I want to impress upon you that almost all the outcry against reorganization methods comes from people who are only insincere, selfish speculators, without any genuine interest in the business, hanging on the outskirts of these enterprises in the hope of picking up some fragments."—*Lectures*, p. 86.

⁷⁶ This is the commonest subterfuge. It is worked back and forth. First there was the St. Louis and San Francisco Railway. It became the Railroad, through reorganization, in 1896, and again the Railway in 1916. Infrequently there is a slight transposition in the title itself, as when the Battle Creek and Bay City Railway became the Bay City and Battle Creek Railway after a reorganization in 1889.

The Memphis and Little Rock Railroad was sold at foreclosure sale and became the Railway. This was foreclosed a second time and became the Little Rock and Memphis Railroad. It was foreclosed a third time and became the Railway.—*Am. Law Rev.*, vol. 30, p. 161; 20 Fed. 260.

⁷⁷ The strict law is that the acquiring company is in no wise liable for debts or other obligation created by the receiver while managing the corporation.—*Godfrey v. Ohio and M. Ry. Co.*, 116 Ind. 30 (1888); *Davis v. Duncan*, 19 Fed. 477 (1884); also 67 Fed. 456 (1895); 71 Fed. 636 (1895); and 83 Tex. 286 (1892). But where the receiver has improved the property and returns it to the stockholders more valuable than when he received it, the court, in confirming the restitution, may require that the corporation assume the liabilities incurred by the receiver.—*Balt. R.R. Co. v. Buris*, 111 Fed. 882.

THE WAR-TAX PARADOX

John Stuart Mill's well known view that war may be paid for twice, each time at the cost of wages, found its basis in the now generally discredited wage-fund analysis. So far, Mill argued, as the funds for war are derived from capital—the revenues for government use obtained not through restrictions of individual expenditure but by deductions from the capital funds devoted to the paying of wages—so far must the wages of labor suffer. These reductions in wages would, therefore, cover the entire cost of the war, were it true that the funds for the war were derived exclusively through deductions from the volume of wage-fund capital. Nor, so far, would it signify whether the funds were secured by taxes or by bond issues, whether the scrap of paper returned by the government were a receipt of acquittance or a promise of indemnity. But with bonds, when the time for retiring them should arrive, the wage earner might be, through taxes, subjected a second time to a burden equaling the entire original cost of the war—no account being made of the intermediate interest charges.

But if the war were paid for twice out of wages, when it had imposed costs only once, to whom would accrue the gains attaching to this doubled payment? On this issue Mill's analysis throws no certain light. Clearly, however, if the restriction of capital funds carried with it a proportionate volume of unemployment, the losses in wages would accrue without any correlative gain to any one. But if the laborers still remained all at work, only at diminishing wages, the losses in wages would be credited to the employers' or the investors' margins; the laborers would stand essentially as the ultimate cost bearers of the war. The investors and the employers would have made a direct contribution of funds only to the extent of their offsetting intake of gains. Indirectly, but essentially, the laborers would be, in the first stage, the indirect but none the less the real and the ultimate contributors. Later, in the process of discharging the bonds, they would make a final settlement of the profits accounts.

If, however, the direct contributors received tax receipts but no bonds, the war would merely have imposed its costs precisely where the "capacity" was lacking, and would have allowed exemption precisely where payment should have been exacted. Neither interest nor profits but only wages would have paid. But if the direct contributors were awarded bonds instead of acquit-

tances—the wage-earners turning over to capital and enterprise a fund of net gain equal in volume to whatever should be the fiscal outlays in financing the war—the situation would be summed up in one war cost and one war profit, both at the charge of labor.

But Mill's analysis pointed to the conclusion that under no credibly possible war conditions was there hope of entire escape from fiscal wrong to the laborers. On them inevitably the war process must impose extreme and unmerited and disproportionate hardships. The best that could be hoped was that the lending class would lend out of their restricted expenditures—oblivious of the fact that this would amount merely to a gratuitous philanthropy on their part; better far to lend out of their wage capital and recoup themselves at the expense of labor. And forthwith it followed that the sole significance of bonds in place of tax receipts was to subject the laborers to the further iniquity of affording a corresponding net gain to the people that were best able to pay but that had actually escaped all payment. But the faults were inherent in the inexorable opaque and impersonal sweep of the war process. Mill, so far as I am aware, never anywhere drew the necessary conclusion—the condemnation of war loans, the correlative preference for taxes. War was merely a bad business anyway.

Mill's intuitive sense of fact was, however, a securer guide than his devices of technical analysis. Despite the defects of the wage-fund doctrine as apparatus of inquiry, he arrived at certain very significant conclusions. His thesis that the laboring classes may come near to paying twice for a war that has cost only once, I take to announce not only a theoretical possibility under assumed conditions but the inevitable outcome of conditions that are both probable and actual.

It is possible, it is indeed almost inevitable, that war imposes losses greatly in excess of anything that the fiscal costs, as represented in taxes or bonds, may report or indicate. But a large degree of unemployment in war time or in any other time through the inadequacy of capital funds is not easily credible. Reductions in output are, however, possible through lack of capital—capital not in the sense of operating funds but only of equipment goods. War must cut into product in the degree that it seriously interferes with the forthcoming or the upkeep of capital goods. This loss, to be sure, is not a tax; rather is it a reduction in the ability

to bear taxes, a partial paralysis of production—product prevented rather than product absorbed. Losses of this sort, however, labor is likely to suffer along with other distributees of industry rather than to bear them exclusively. It is true that the restriction of equipment might serve to make labor the factor relatively plenty and capital goods the factor relatively scarce. In such case, then, wages would receive a diminishing fraction of a diminishing aggregate product; the capital goods, an increasing fraction of a diminishing aggregate.

But with war the facts cannot run after this sort; with great numbers of men changing from industrial to military production or to military service, it is commonly, and almost inevitably, labor rather than equipment that is becoming the relatively scarce factor. A careful distributive analysis will, therefore, not impute to labor any notable share of the war losses which accrue outside the data of fiscal reports. It is, then, by fiscal operations rather than by purely industrial disturbances that the burdens of war are prone to be shifted to laborers or even doubled to the exploitation of laborers.

For it is clear that from the point of view of society as a whole war can impose fiscal costs in only the present tense. Most of the existing body of wealth is not available for any purpose of consumption. It serves only by its contribution to present income, not as itself directly forming a part of present income. Houses, lands, industrial equipment, car lines, are not consumables in any appreciable degree. True, they may wear out and, in the process of depreciation, contribute to current civil or military consumption. The volume of consumable goods remaining over from the past is in any case not great. And most of this volume is destined to early consumption as necessary maintenance, pending the production of newly maturing items of income. No doubt the goods may be stretched somewhat in their period of service beyond their customary term of use. Something of this sort has clearly been accomplished during the recent war months. By wearing our old clothes longer, cobbling old shoes, postponing the purchase of a new overcoat, deferring the renewal of furniture or rugs or tableware, putting off the repapering, we have curtailed our demands on the present national income of goods and services. So, again, there may be cannon and powder and even war bread stored up, as with the Germans in preparation for the war that was to surprise them.

Even so, the direct contributions of accrued wealth to present war consumption are relatively meager. But the contributions of future production are more than meager; they occur not at all. War consumption has no future tense. And still there is a sense in which the burden can be shifted. The people who bear the burden now may be indemnified later at the cost of other people. Such is, in fact, the sole significance of bonds. This contract for later reimbursement finds its occasion in the necessity that present wars provide themselves with present goods and services; only so far can there be present guns or ammunition for battle, or food, or equipment for maintaining the armies. Sir Thomas Browne's pronouncement that "he had caught a great cold had he no other clothes to wear than the skin of a bear not yet killed," goes to the heart of this aspect of the war problem. The enemy cannot be done to defeat or death by future shells discharged from cannon yet to be molded and propelled by powder not yet produced. Only phantom men can wage war with phantom arms or be nourished on future bread. That which, according to the old riddle, is food for dead men and death to living men was accurately unriddled as "nothing"—an ultimate truth for the finances of war. But by borrowing abroad one nation may meet its present needs out of foreign incomes of current product, on terms of the undertaking that out of its own later income of products it will make good the loan of present products from abroad. But this is merely to redistribute the present burden, on terms of a derivative and offsetting redistribution of future incomes. The future does not provide for the war; future producers merely indemnify the present providers. The goods that now go into war will mean a later distribution of goods that will not go into war—and cannot, the war being past.

America, however, in the recent war, having no second America to borrow from, being still, even after its entrance into the war, a great lender to foreign belligerents, had to find at home its present supply of war goods and war services. In the aggregate, then, America had to do more than merely follow the rule of pay-as-you-go. But still it was possible that certain individuals out of the total citizenship should bear the burdens. The necessary transfers of purchasing power out of individual incomes over to the government account for government expenditures, might either be made voluntary, under the inducement of an offered interest-bearing contract, or be made coercive in terms of

taxes. The bond method meant merely present sacrifices out of present incomes in support of the present war on terms of a promised later indemnity out of taxes later to be collected. The tax method meant contributions without a promised indemnity.

It is clear then, that taxes and bonds, so far as they are paid by income receivers out of income receipts, are merely different ways of getting the paying done, so that war activities and war consumption may displace civil activities for civil consumption, and not at all a way of deciding whether the paying shall be done now. With taxes, the contributions are collected, the tale is told, the books closed. The loan method provides that tax payments shall be postponed, not that payment be postponed; that future taxpayers shall indemnify the lenders for their present advances; not that the future shall provide the ships, the coal, the shells, the clothing, the cannon, the food, but that the present furnishers shall in the future be reimbursed through taxes for what they have now advanced. The taxpayer of the future time will merely return to the present contributors (with the addition of interest, it is true) what present taxation would have compelled them to pay now. Taxes are merely postponed and somewhat increased. But the present does not get rid of the burden. The present taxpayer gets rid of it now, only in the sense that the present bond buyer temporarily assumes it.

But note that, at the future date of payment, no cannon will be produced, either to be worn out in war or to be turned back to the lenders or their representatives. They restrict now their present consumption or their alternative investments through turning over their funds to the government for war purchases now. A generation hence some one else must submit to a corresponding restriction of purchasing power, in order that these lenders may have correspondingly larger free resources at that time. War products and war consumption mean a current redistribution of productive power, a functional as well as a personal redistribution. A generation hence is to come another redistribution—not a redistribution of production but only a redistribution of the things produced, a personal distribution solely. The individuals that did not pay in the present, when the things of war were displacing the products of peace, must now assign to the lenders an offsetting share of *the things of peace*. The holders went without civil goods that war goods might be; the taxpayers now go without civil goods in order that the lenders

may have more civil goods. War bonds impose profound modifications upon the distributive institutions of the future time.

So far, then, the issue between bonds and taxes is merely one of equity. Do bonds in their ultimate distribution of sacrifices apportion fairly the burdens of war? The test is in what would be a proper distribution of the costs of war, if war were paid for in current rather than in postponed taxation. If, then, bonds are issued, they should finally be discharged through taxation of precisely the same class incidence as should fairly attach to present taxes. If consumption taxes during war would provide the proper incidence of burdens, the bonds may properly be retired by similar fiscal devices. If, however, the correct basis of apportionment is income, under either proportional or progressive rates, this must also be the correct principle for the taxation that later must meet the interest charges on the bonds and finally provide for their discharge.

But under this program of ultimate settlement there could be neither class pressure nor class advantage with bond issues. The equities would refer merely to the well-to-do in their relations to one another. And in the final settlement the bonds would leave the case exactly as taxes would have left it—the bonds, however, making room for inter-individual preferences with respect to earlier or later final contributions.

So far, therefore, assuming both a present and a future revenue system consistently fair in the apportionment of burdens, there would seem to be small advantage and even smaller disadvantage in the choice between bonds and taxes. But this assumption implies not merely the improbable or the incredible with regard to future tax collections, but also both the incredible and the impossible with regard to the necessary current sacrifices. No great war of even the American sort in the war that is closing, to say nothing of that of the English and the French, can be supported under a distribution of burdens ethically tolerable in time of peace. If a great war is to go on, the burden of it has to be drastically severe on the poor as well as on the rich. Whatever the fiscal forms of collection, a high rate of charge must trench upon even the relatively meager incomes. Only when the masses contribute, and contribute greatly, can the fiscal return be considerable.

Assume, for example, the pre-war level of prices; a national

income of \$40,000,000,000; a war budget of \$15,000,000,000, approximately two fifths of the current national income. The income tax returns for the year 1914 reported less than 400,000 incomes above \$3,000. A 100 per cent income tax on all these incomes, averaged as at \$3,000 without even a minimum exemption, would afford less than \$1,250,000,000 of revenues. Assume the incomes to have averaged \$6,000 each, without exemption—\$2,400,000,000 of fiscal returns. Double the incomes as allowance for under-statement—\$5,000,000,000 in all. Double the number of income receivers as allowance for evasions—\$10,000,000,000. The average family income for our 23,000,000 families, as deduced from the 1916 returns, appears to have been approximately \$1800, inclusive of corporate holdings and business gains. Eight hundred thousand families had incomes of upwards of \$2500 exclusive of corporate and business gains. The total income of all these 800,000 families (exclusive again of corporate and business holdings averaged at \$400 for each of the 27,000,000 families), was \$9,750,000,000. Assume now that three fourths of all corporate and business returns accrued to these 800,000 families—\$9,000,000,000. A tax then that should take 100 per cent of all these incomes, without exemption of any sort, would provide \$19,000,000,000 of revenue out of an estimated total national income of \$50,000,000,000. Allowing a \$2,000 exemption, the total remaining incomes for the 800,000 families would be approximately \$17,000,000,000. At an average tax of 33 per cent on the taxable revenues the yield would be less than \$6,000,000,000. At the actual rates as they were imposed for the year 1916 the yield of all income, corporate and profits taxes was \$345,000,000; for 1917, \$3,000,000,000.

Quite obviously, then, a war absorbing two fifths of the current national resources of goods and services is possible only on terms of great sacrifices imposed on the relatively meager incomes. After the rich and the well-to-do have paid all that they can, there is still an enormous payment necessary from the masses. A great war calls on all for all that they can spare. The income tax returns for 1914 showed only one \$3,000 income out of seventy families. It is safe to say that to nineteen men out of twenty belongs the vague word *poor*; they are artisans, wage-earners, laborers. The support of a great war requires their grievous contributions.

Somehow, therefore, the masses of citizens must and do contribute to a great war. When the average income for civil consumption falls by two fifths, the incomes of the masses must fall. Real wages in the average must suffer relatively to product, precisely because two fifths of the national product is being diverted from civil consumption. The average income must suffer quantitatively also, unless it be true that the efficiency of civil production is so speeded up as to offset not only all the displacement of men and of capital and of civil production, but also whatever degree of rapid consumption is peculiar to the new war activities—shipping, coal, oil, munitions, ammunition, motor cars, strategic railroads, warehouses—and finally also the amount by which the consumption of food and apparel is exceptionally large. That the per capita expenditure in civil consumption declines relatively to the per capita product, rests in the mathematical necessities of the case. And that the per capita civil consumption must decline in quantitative command of goods is practically clear. Out of short crops an unusually large amount was exported. Iron was scant for civil consumption, also leather, fuel, woolens, and perhaps especially, cotton. This scarcity was indeed established by the very fact that old things were made to do duty in place of new, purchases being deferred in countless lines. This restriction of consumption, and measurably also of new construction, was the means by which ultimately the sacrifices of war were borne. There is little evidence that the per diem output of labor was appreciably increased, a very considerable body of evidence to the contrary. There has been much deliberate waste of time in a wide range of industries. And the very fact of a widespread redistribution of laborers into novel occupations involves the cancellation of much specialized skill. The new economic activities of women counted for disappointingly and shamefully small results in the total. Whatever, therefore, the technical form of payment, the income of laborers had to suffer. The actual rate approached the charge upon the most princely of American incomes; the general rise of prices has far outstripped the general rise of wages. In this lag of real wages was the laborers' contribution. There is slight prospect of such rates in future income taxes for the retirement of the war bonds as shall offset the abnormal apportionment of burdens under the present methods. More probable is it that the future taxes will be more distinctly regressive, relatively to paying capacity, than are the present methods.

Thus far, then, Mill's dissatisfaction with the distribution of the fiscal and other hardships of war appears to have been based either on the erroneous assumption that the injustices are inevitable or that they inhere in bad systems of taxation. In actual fact, however, the hardships of war have further aspects. Ordinarily there are price disturbances due to inflation. And ordinarily there is conscription. The addition of either of these factors profoundly modifies the problem.

Conscription means for the individual who is conscripted a 100 per cent levy on his assets as a going concern—his connections, his job, a practically complete appropriation of his wages, the possible requirement of his life. My conscripted colleague—whose salary was suspended, his position set at hazard, his wife sent back to teaching—returns to pay me interest on my investment in war bonds. Relatively to his, my sacrifice would have been all too little if, with twenty-fold my actual contribution, all of it had been taxes. Suppose, for example, that he and I had been adjoining farmers, bordering on a swamp and forest area out of which, on occasion, some dangerous marauding animal came to devastate our crops. Let it be arranged between us that he, as the younger and physically the more valid individual at the same time being the less well-to-do, shall devote the season to hunting down and destroying the marauder. Meanwhile his crop is to go unmade, his farm to deteriorate, his health probably to be impaired, his life possibly to be forfeited. He must have maintenance during his service in the joint interest. I am to “stake” him; but it is on the understanding that if he survives to return, he must reimburse me for my advances. If not, his children shall.

This illustration falls short of adequacy only in assuming that my colleague has acquiesced in my consistently patriotic plan of loan finance; and yet conscription was in waiting had he demurred at the obviously businesslike arrangement.

But with inflation as an integral feature of our loan finance, there arises the necessity of modifying the illustration. Assume now that, in providing the maintenance to which I bind myself, I plan to reinforce my income rather than to make any net encroachment on it, or any derivative reduction in my scale of living. The burden imposed on me by the summer activities of my expeditionary neighbor I am to make good through cutting timber off my neighbor's woodlot, so that when he gets back, or whether or not he gets back at all, I shall be none the poorer by

my maintenance of him and shall be so much the richer by my bonds—bonds that, by some necromancy or financial mystery, I hold against him instead of his holding them against me.

No? But this is precisely what inflation finance means. All the while the argument must, of course, be taken to apply solely to that share of the war revenues that is obtained through bonds. Assume also—as may be actual—that the volume of bonds is not greater than the war profits; and assume also—for clarity, since classwise it does not matter—that all the subscriptions to bonds are paid for out of war profits. The causes of the inflation, as it actually occurs, and the mechanism of the process in its ordinary actual working, are best omitted from present consideration; they complicate the analysis without further essential bearing on the argument. If, then, we assume an inflation as already well under way, a situation will be presented illustrating Mill's pessimistic foreboding at its extreme limit.

Inevitably in inflation periods employers' margins widen. This means that real wages fall. They may rise in terms of money units, but the money is weazening out in terms of exchange power. The currency unit is getting cheap because currency units are getting plenty. Money wages are derivative from the prices of products. When prices rise money wages will therefore shortly set toward rise as the result of employers' competitions. But costs lag behind prices, wages among the rest. This lag in money costs is the explanation of the increasing margins of money profits. Profits are increasing at the expense of wages. When prices are rising, employers compete against one another in order to get the advantage of these widening margins of gain that the selling prices offer. This competition pushes money wages up. With time enough, if general prices stop rising, this competitive bidding up of money wages will finally cancel exceptional margins; wages will catch up with prices and profits.

But during this period of readjustment real wages suffer. In terms not of money units but of what the money units will buy the wages go not up but down. This is only another way of saying that wages lag behind prices, another way of saying also that profits are more generous. It is not, to be sure, impossible that during the inflation years there may be certain wage advances that are real; but in general they are not so. If, indeed, the advances were real and general, the profits so far could not be actual. In those industries also in which, as in recent years, real wages

have been rising, it is safe to say that the profit margins have risen still faster.

These inflation-made margins of war years are not accurately war margins so much as inflation margins. Either with or without the war the inflation would award the same general range of profits, though clearly not quite the same peculiar distribution of them. Inflation is, in truth, about as effective a method of fleecing wage-earners as of expropriating creditors.

The special function of inflation as a device of war finance is, then, clear. In one way or another in war time real wages have to suffer. There must be either falling net money wages with stable general prices, or stable or rising money wages with a more than offsetting general rise in commodity prices. The consumption of goods and services with the wage-earning masses must be restricted, else the war, with its enormous requirements in the absorption of man power and in the displacement of civil consumption, cannot go on. The per capita consumption of goods for civil consumption being less, and the producers of them fewer, as the war absorption and consumption are more, the average civil consumption has to be less. Real wages report simply the command over consumable goods, buying power. When there is a shortage of things to buy, there must be a shortage in buying power—less money income per capita or less buying power in the same number of money units, rising prices. In America nearly 4,000,000 of men have been conscripted into service abroad or into preparation in the training camps. Other millions have been withdrawn from the industries ministering to civil consumption and diverted into shipping, new supply industries, munitions and armament. It is even asserted that 18,000,000 to 20,000,000 out of our 40,000,000 of bread-winners have been engaged directly or indirectly in war production, one half the productive energies of the country—to my mind a gross exaggeration. But still the facts had to mean a greatly restricted civil consumption. The wage-earners and their dependents include the mass of any population. Unless, then, they saved in order to lend, or were taxed into low net real wages (restricted consumption), they had to be profiteered into low real wages and restricted consumption. The country had to have their restricted consumption.

They were profiteered. (Remember all the while that it is only one aspect of war finance, taken for clarity as the sole aspect, that is under present analysis.) It was in terms of increasing

profits that wages were restricted, the prices rising faster than the money wages. From the employer's viewpoint, this meant that the things he had to sell rose faster than the wages he had to pay. This increasing spread between costs and selling prices constituted profits. Viewed from the laborer's angle, this meant declining real wages. Half understanding and wholly patriotic the wage-earner submitted.

But, understanding better, he could hardly have done less. In the absence of increased charges through excises and customs, this was his way of bearing war burdens. It was his tax. Something of this sort, by this device or by another, there had to be. Only, therefore, when viewed in its relation to a total need and in comparison with the burdens that other tax-paying ability was bearing, could any issue of justice remain with reference to the stay-at-home laborers. But were other incomes subjected to their relatively due burdens? I think not. But different interpretations of the statistical facts and different readings of the precepts of justice in taxation, may leave differences of opinion possible.

But what about the profits and the taxes on them—directly as technical profits taxes or indirectly as income taxes? Precisely here is the crux of the problem, precisely here the practical significance of the *business-as-usual* plea. The profit makers were the government collectors of a contribution from labor that in this or in some other form was imperative and inevitable. The laborers were paying—as Mill had inferred, though deducing it from an untenable analysis—but were paying in terms of employers' margins, the wage lag a contribution to profits, at the same time with a reduction in real wages and a restricted spending power.

But what were the collectors doing with the collections? With good profits they could buy many bonds. Not paying taxes with their profits, buying bonds was the most patriotic thing they could do. Their preference was for receiving interest-bearing promises, rather than non-interest-bearing tax acquittances. In the main, their purchases of bonds were taken as an acceptable settlement with the fisc. Mill's prophetic foreboding that labor, having paid once for the war, must now pay a second time to those lending for the war, was in the fatal way of fulfilment. The bonds that had been purchased out of the margins contributed by labor were now a valid obligation against the laborer as taxpayer.

Only through a special and radical and incredible and almost impracticable adaptation of the future tax system to the new situation could any remedy come. As much as, during the war, the laborers had lost through war the employers had gained and invested; and now the employers would collect it again. Out of the impoverishment of the resources of my neighboring farmer I had derived the funds in support of him in his dangerous undertaking for our joint advantage; and now he was under obligation to pay me again.

But, be it again repeated, the harm was not that the real wages were low, for they had to be, if there was to be a war; not that the masses had to suffer, for there was no other way if the war was to go on; not, finally, that the laborers did not get the bonds in place of the profit makers, for future taxes must be high enough at best; but the harm was that anybody got any bonds—bonds on which someone in the future must be taxed to meet the interest charges and finally also to discharge the principal.

Nor was it by the fact that the prices were high that there was injustice, nor even by the fact that the prices which were rising faster than the wages, made possible the profits—if only it had been true that the government which had allowed the collection of the profits had absorbed them in taxes. It was in the wrong sort of settlement with the collectors, in the giving to them of bonds instead of receipts in full, that the harm lay. Not only must the laborer bear a great share of the war burden during the war, but he must face his burden of taxes after the war is finished. The one burden, the current burden, was inevitable. It should have been the sole burden. But after all, it was not a willful wrong; only tragic blundering.

Peace, then, to Mill's prophetic spirit—possibly, also, a sad sort of joy that now our bungling world of idealism and practical business has actualized his puzzling paradox. But will the socialists and the other radicals and agitators allow to the rest of us peace?

H. J. DAVENPORT.

Cornell University.

PRICE FIXING IN A COMPETITIVE INDUSTRY: A PIONEER CASE¹

In the field of public utility valuation and rate regulation, both precedent and literature are abundant. Such is not the case with regard to valuation and prices in the field of the ordinary "industrial" corporations. That a United States Circuit Court should have passed on the question of a fair and just maximum price for a commodity produced by competing industrial corporations is, therefore, of considerable interest; and the fact that the action was not taken by the price fixing committee or any other body exercising war powers, heightens the significance of the case for the economic student of normal industrial life. The circumstances are as follows:

In 1916 the Federal Trade Commission conducted an investigation of the news print paper manufacturing industry. As one result of that investigation, the commission was convinced of the desirability of establishing reasonable and stable prices for news print paper, and endeavored to arrange for such prices by agreement with the manufacturers. While negotiations looking toward voluntary coöperation were under way, however, the Federal Grand Jury for the Second District of New York brought indictments against several leading manufacturers, whereupon negotiations with the commission were broken off (May, 1917). What took place thereafter is not known to the writer; but on November 26, 1917, the Attorney General of the United States entered into an agreement with the manufacturers, which provided for the price fixing here to be described. It appears that by agreement several of the indicted parties entered pleas of *nolo contendere* and paid fines. According to the agreement between the Attorney General of the United States, as trustee, and certain persons and corporations engaged in the manufacture and sale of news print paper, the Federal Trade Commission was to fix the maximum prices and terms of sale of the output of the news print paper of ten companies. Such prices and terms of sale were to apply on purchases in the United States for the duration of the war and three months thereafter.

Accordingly all parties in interest were invited to lay before

¹ The writer does not intend by anything which follows to argue for price fixing, but merely to throw light on what has been and may be done if prices are fixed.

the commission any pertinent data, and extensive hearings were held at which a great mass of evidence was taken. Cost figures were drawn from the books of original entry, and the vouchers of accounts of the ten manufacturers were scrutinized by expert accountants. Complete appraisals of various plants were also presented. On June 18, 1918, the commission released for publication its findings concerning reasonable maximum prices as of April 1, 1918, the main item in which findings was that a price of \$3.10 per hundred pounds f.o.b. mill should apply on roll news print paper in carload lots.

Unfortunately the commission in its published findings did not present a full statement of the grounds upon which its decision was based. The only points of interest to be gleaned from them are: (1) income and excess profits taxes, whether individual or corporate, were eliminated from cost; (2) the cost of a small and incomplete mill was "not allowed to control in the determination" of the prices fixed; (3) the commission endeavored to allow a just and reasonable profit "based on the value of the property employed and the circumstances surrounding the industry"; (4) the commission sought to determine a price which would be the same "as though fixed by the seller," which presumably means that it desired to arrive at a price similar to what would have prevailed under normal competitive conditions; (5) the commission's decision took account of the important distinction between valuation for sale and valuation for rate making, and explicitly rested upon the assumption that the case in hand was one in which the purpose was to fix a rate for a going concern; (6) though not explicitly stated, the commission in reasoning concerning investment based its conclusions upon an average investment necessary for an efficient mill.

The commission's findings were not satisfactory to the manufacturers of news print paper, and, as provided for in the agreement with the Attorney General, they promptly took the matter before the United States Circuit Court for the Second District for arbitration. Their case is set forth in a printed brief, which contains arguments of considerable interest:

1. Counsel for the manufacturers cites several decisions in cases involving valuation and rate making for public utility corporations. It is noteworthy, however, that these cases are cited with the idea that they should apply on valuation only, and not upon the rate of return upon investment.

2. As to cost, the chief contentions of the manufacturers appear to be: (a) that they prefer not to have their woodlands included as a part of their investments, but to charge the quantity of wood used in the manufacture of news print paper into their expense accounts; and that such charges to expense should be at the market value of wood, rather than at cost to the manufacturer; (b) they criticize the commission for basing its findings upon the costs as ascertained for the early months of 1918, without making allowances for increases in costs occurring between that period and the date when the prices were to take effect, and they contend especially for an increase of 35 per cent in the cost of wood, as that item was taken into the commission's findings; (c) they protest against basing the price upon an average cost, contending apparently that the highest cost should be taken as a basis.

3. Perhaps the chief contentions of the manufacturers concerned the investment figure. (a) In the first place, they accepted the cost of reproduction basis, and emphasized the cost of two particular mills which had been built, in part at least, since the war. The figures for these mills they supplemented by recent appraisals of the other mills concerned. (b) In the second place, they claimed a large allowance for "going value," advancing testimony of experts to the effect that "going value should be allowed, and should be determined by taking approximately 17 per cent of the value of "tangibles" (plant, equipment, etc.). (c) Finally the manufacturers made claims for a large percentage of return upon investment, their figure being from 18 to 20 per cent. Such claims it will be noted were not based upon decisions in public utility cases, nor even upon returns which the news print paper manufacturers had been getting in the past, but rather upon testimony of "experts," as to what they ought to get, and upon general reasoning concerning the risks of the industry. The figures claimed by the manufacturers for reasonable valuation per daily ton of capacity were:

News print paper plant and water power development..	\$27,500
Going value	4,675
Working capital	12,000
Total	<hr/> \$44,175

On their part, the newspaper publishers also submitted a brief, the salient features of which were the following:

1. A news print paper manufacturing mill is not a public utility, and the principles set forth in public utility cases do not apply.

2. The costs presented by the manufacturers, and to some extent those found by the commission, included several items which should not be allowed. For example, the publishers point out that in the case of several companies the costs contained items of extraordinary expense, either not applicable to the period during which the price fixing would apply, or representing abnormal operating conditions. Thus, one company's costs included purchased paper (finished product) and others included winter handling of wood. Several of the companies included considerable items of legal expenses which applied to the defense of their interests in the suit brought by the Attorney General under the federal anti-trust laws. Again, in some cases the costs included items which apparently were excessive, being in the nature of estimates, which not unnaturally were made large enough to cover all possibilities. Such items were those for loss in "sinkage" and barking of logs, and losses in manufacture. Probably the most important contention of the newspaper publishers, however, concerned the inclusion in cost of inter-company or inter-departmental profits. All the manufacturers appear to have included stumpage charges covering the value of timber cut. In some cases the stumpage charges were made even when the company did not own the timber, but merely had certain rights to cut timber. In all cases charges were based on the market value of wood rather than on the actual cost to the company of producing the wood. This necessarily had the result that the so-called wood cost involved in manufacturing news print paper, was larger than the actual cost by the amount of the profit made by those whose sales of wood figured in the making of the market.

With regard to investment, the publishers contended that it should not be based upon war prices of the materials needed for constructing a paper mill, and that if cost of reproduction was to be taken as the basis for determining investment the costs should be as of the period immediately preceding the war. They further contended that "going value" should not be included in investment, nor did they believe that the manufacturers could really have earned 18 per cent on their investments under normal competitive conditions. For example, even on the basis claimed by the manufacturers, the International Paper Company, they stated,

would make a margin of \$18 per ton, while during the past twenty years it had actually earned on the average not over \$3 per ton. On the basis of the price fixed by the commission, the publishers claimed that this company would make \$10, which appeared to them to be very liberal treatment.

On September 25, 1918, the United States Circuit Court for the Second District, acting as arbitrator, handed down its findings and conclusions in the matter of the selling price of news print paper and terms of contract for the sale thereof. It is deeply to be regretted that the court did not make public a more fully reasoned opinion, setting forth in greater detail the bases for their findings. Nevertheless, a careful examination of the findings reveals points of no little interest. The chief of these appear to be:

1. "The principles applied by courts of authority in regulating rates for public utilities, should be followed in this proceeding as nearly as possible." Although the closing words of this dictum might be called "weasel words," it seems that the court was influenced by the claims of the manufacturers in this matter, and tended to overlook the distinction which undoubtedly exists between the competing manufacturers of news print paper and a municipal street railway or gas plant.

2. The court decides that the capital investment is equal the "present value" of the property actually used in paper production; and that "present value" is equivalent to "fair present value, as depreciated and at pre-war prices."

3. "Going value" is allowed by the court as a part of the necessary investment, but instead of allowing the percentage claimed by the manufacturers, the court takes 10 per cent of the tangibles in determining its amount.

4. Apparently the contention of the manufacturers that stumpage be taken into cost at market value is accepted by the court.

5. The court takes an average as the basis for its decision, both as to cost and as to investment.

6. In the judgment of the court, it is not necessary that the maximum price should be sufficient to allow a profit to those companies which are operating under abnormally difficult conditions.

7. It is decided that a fair maximum return on the capital invested in a business having the hazards which characterize the news print paper manufacturing industry is 15 per cent per annum.

The result of applying the foregoing principles is that the

court makes the following finding, with regard to investment per ton of daily capacity, which it will be interesting to compare with the claims of the manufacturers:

Tangibles	\$25,000
Going value (10 per cent).....	2,500
Working capital	12,000
Total	<hr/> \$39,500

Adding an allowance of 15 per cent, which is taken to be the fair annual return, the court arrives at a price on roll news print paper in carload lots f. o. b. mill of \$3.50 per hundredweight—40 cents higher than the Federal Trade Commission's price.

Thus, as is usual in arbitration, the final figure arrived at is somewhere between the contentions of the two parties in interest. The price fixed by the court is higher than that determined upon by the Federal Trade Commission, and lower than that contended for by the manufacturers. On the whole, however, the court may be said to have been impressed by the arguments of the manufacturers in questions of principle, particularly in the matter of investment; for it accepts the idea of a condemnation or sale value, takes the cost of reproduction as of the present time (depreciated), and includes going value. Also it includes the market value of stumpage in the cost of production, excepting only when the stumpage is not owned but is cut from leased lands.

Certain general conclusions and criticisms may now be reached. From the general tenor and language of the findings adopted by the court in this case, the following presumptions concerning the tendency of courts in future cases—if any arise—appear to be justified:

1. The costs of plants operating under abnormal or extraordinary conditions of inefficiency will not be considered.
2. The tendency will be to base conclusions upon the average cost of the several companies concerned.
3. There will be a tendency to charge raw materials into cost at their estimated market value, rather than at their cost of production; this will apply at least in cases in which the raw materials are in the nature of wasting assets, such as timber and ores. Along with this tendency goes the related tendency not to include the source of the raw materials (land) in the investment. These tendencies, perhaps, result from an attempt to put producers operating with different degrees of integration on the same footing.

4. The principle of an average investment required for a reasonably efficient plant appears to be firmly established.

5. It is noteworthy that, in spite of strong arguments to the contrary, the court in this case includes "going value" in investment.

6. The tendency appears to be towards taking "present value" as the basis for determining investment. This it will be observed is proceeding as though all valuation cases, even though the purpose is only rate regulation, involved condemnation or sale. The inclusion of going value in the investment is a corollary of this tendency.

7. There will be a determination of the degree of hazard in each industry, and the rate of return to be allowed on investment will vary accordingly.

8. Judicial reasoning in cases like that involved in the determination of a fair price for news print paper is not yet clarified, and shows important inconsistencies and confusion of thought.

To the writer's mind, the chief criticisms of the findings of the court in this case are: (1) no consideration is given to the idea of marginal cost; (2) no clear distinction is made between cost and value; and (3) the difference between a public utility corporation and an ordinary competitive business is not understood. These three points are worthy of further discussion.

By failing to recognize a range of costs, and to determine the marginal cost, the court has been unable to follow a clear-cut and logical program. It has arrived at a result which appears to be fairly accurate, by a wrong way. Taking improper items into its determination of investment and of cost, it has unconsciously endeavored to offset the excessive price which would have resulted, by adopting the average cost as a basis. The writer would submit that, if prices are to be fixed, the only correct principle is to ascertain the range of actual costs determined according to strictly correct economic and accounting principles; and then to determine what the marginal cost is, according to the production which it is desired to secure.

The confusion between the idea of cost and the idea of value appears both in the determination of cost and in the determination of investment. It is well illustrated by the inclusion of stumpage in cost at its market value. Obviously if the market value of logs is greater than the cost of producing the logs there is a profit included in such market value. Therefore, for a company which

produces its own logs, market value is not cost, but cost *plus profit*. It is easily conceivable that a company might show a loss on its total business if costs were secured in this way, while in reality making a handsome profit on the conversion of raw materials which it owned. If the stumpage is not taken at cost, the paper making company is considered as being in the wood selling business; but if it were to go out of the paper making business, there would be no market for its wood. Surely it is clear that a news print paper manufacturing company, regarded as a single integrated concern, should have its total investment, including woodlands owned in fee, treated as a unit; and that all items entering into the production of news print paper should be charged at cost, if the true net earnings attributable to the company's production of news print paper are to be ascertained.

Some inconsistency appears in the court's reasoning, in that it does not allow a stumpage charge when the timber is taken from leased land, and this for the reason that there has been no "actual disbursement." In this case, one cannot help asking what the fact of actual disbursement (cost) has to do with the matter, if the question is but one of market value.

The manufacturers, in their brief, supported their claims for the inclusion of the market value of their stumpage in cost by references to the case of *Doyle vs. Mitchell Brothers Company* (247 U.S. 179), and it may be that the court was influenced by this decision. However that may be, a close reading of the decision referred to makes it clear that it has no application, except in matters of taxation. The case of *Doyle vs. Mitchell* arose under the Corporation Tax act of August 6, 1909; and the problem of the court was to construe the terms of that act. The question before the court was to ascertain the taxable income arising during the period after the tax law went into effect, and the court itself stated that "the object is to distinguish capital previously existing from income taxable under the act."

The economist will be interested in detecting in this question between market value and cost the idea of "opportunity cost." The inclusion of market value in cost is clearly based upon the idea that a paper manufacturer has the opportunity of selling his stumpage. The fallacy of this reasoning, however, is apparent when it is observed that the attractiveness of the alternative is not an absolute fact, but depends upon the amount of the margin between the *market price* and cost.

In adopting the idea of "present value" as determining investment, the court tends to cut away from original investment and again falls into confusion between value and cost. Cost of reproduction is largely relied upon as a basis for determining this so-called present value; but the cost of reproduction as used is not actual cost. On the one hand the court adds an allowance for "going value" which does not represent investment at all; while on the other hand it includes "any investment by way of actual payment for power rights." The result is a hodge-podge of items which gives neither the amount of money actually put into the business by the owners nor the market value of the business.

The writer would briefly submit that the basis which should determine is the actual amount of the investment in the business, to the extent that the investment has been honestly and wisely made, and that such terms as goodwill and going value, unless actually paid for, should accordingly not be allowed. To defend this statement of the case in detail would obviously require too much space for present purposes.

Finally, the court does not fully appreciate the significance of the public utility concept. In its second finding it says: "The principles applied by courts of authority in regulating rates for public utilities, should be allowed in this proceeding as nearly as possible." In finding No. 11, however, it contends that drought and sabotage are "business accidents, which would not relieve them from the competition of more fortunate rivals in ordinary times," and accordingly excludes the costs of certain companies from consideration. It is submitted that in a business in which there are numerous competitors, each subject to the ups and downs of competition, the principles applied in the valuation of public utilities cannot be used. A public utility, by its very nature, is a monopoly (a fact which is expressed in its possession of a franchise) and furnishes a product which has a special and vital essentiality to the people of the community served. These characteristics do not apply to the manufacture of news print paper. This product does not have to be used in connection with the plant. The business has been at times highly competitive, and is not naturally monopolistic. It might even be contended that the people could get along without news print paper for a long time; and certainly a very much smaller quantity would answer all essential purposes. Each public utility concern is assumed to be so essential to the community which it serves that its existence in its

present state must be preserved, and the essence of the public utility valuation cases is the determination of such a reasonable investment and such reasonable rates thereon as will enable the company to survive under conditions reasonably satisfactory to the owners. In the case of the news print paper manufacturers, the essence of the problem should have been to have determined the actual investment in the reasonably efficient company and to have fixed such a rate of return thereon as would enable efficient companies to survive under competition and at the same time insure that inefficient companies would not survive.

In any case, it is apparent that the court has been inconsistent in applying the public utility idea only to investment and cost, while allowing prices to be fixed with regard to the hazard of the business.

LEWIS H. HANEY.

Washington, D. C.

THE FEDERAL FARM LOAN SYSTEM¹

I

Those who were familiar with the general provisions² of the Federal Farm Loan act at the time of its passage were almost unanimous in the opinion that several years must elapse before the machinery authorized by that measure could materially alter the land credit system to which the American farmer and the investing public had become accustomed. Unlike the Federal Reserve act, which had been designed to bring about desirable reforms in the commercial banking system with as little disturbance to the banking institutions of the country as possible, the Federal Farm Loan act boldly set aside American traditions in the farm mortgage business and sought not only to establish a variety of entirely new land credit institutions but also to prescribe new methods in the making of farm loans that would compare favorably with European precedents. In spirit the act was revolutionary—its authors were convinced that American methods were not worth saving; and the machinery for which it provided was greatly complicated by the fact that it did not represent the ideas of any single group of reformers. One group had been strongly in favor of direct government loans, another of coöperation, and still another of private enterprise as the basis of land credit reform. The necessity of reconciling these varied interests in a single measure could hardly be expected to make for a system that would be simple, easily administered, or immediately popular.

The preliminary organization of the system required almost a year's time. The first important task to be undertaken by the newly created Federal Farm Loan Board was the apportionment of the country into twelve districts and the establishment in each district of a federal land bank. The act had provided that these districts were to be apportioned "with due regard to the farm loan needs of the country," and that no district should contain a

¹ The writer is indebted to Mr. Herbert Quick of the Federal Farm Loan Board for most of the specific facts bearing on the progress of the system. Unless otherwise indicated, the statistical data in this article have been obtained from that source.

² For a critical discussion of the provisions of this act, see article entitled "The Federal Farm Loan Act," *AMERICAN ECONOMIC REVIEW*, vol. VI (December, 1916), pp. 770-789.

fractional part of any state. It was the judgment of the board that the fairest and most satisfactory way of determining the farm loan needs of the country would be through actual conference with farmers, bankers, and students of agricultural conditions. Accordingly, arrangements were made for a series of public hearings. These hearings, held in forty-four states and extending over a period of about four months, did much to acquaint the farmers with the intricacies of the new legislation.

With regard to the considerations which actually governed the board in determining the size and boundaries of federal land bank districts,³ some attention was given to the census data pertaining to the area and value of farm land, the extent of farm mortgage indebtedness, the character and value of farm products, and the proportion of rural to total population. In addition, there were important considerations as to whether the district in question was well developed agriculturally, whether it was a one-crop district, and whether the prevailing rate of interest was such that it would lead to a rapid shifting of outstanding mortgage loans from private institutions to the federal land banks. But judging from the plan of apportionment finally adopted, it is obvious that it was the board's policy to combine into one district, wherever possible, those states whose farm loan securities were not well known with states whose farm mortgage securities stood high in the investment market. For instance Arkansas, Missouri, and Illinois, were combined to form one district; Wyoming, South Dakota, Nebraska, and Iowa, to form another; Kentucky and Tennessee were merged with Ohio and Indiana; New Mexico and Oklahoma with Kansas and Colorado. This plan of delimitation, so far as it could be carried out, was intended to equalize the security of land mortgage credit throughout the twelve districts

³ On December 27, 1916, the Secretary of the Treasury announced the selection of the following districts by numbers and the cities in which federal land banks would be established: (1) Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, and New Jersey, at Springfield; (2) Pennsylvania, Maryland, Delaware, Virginia, West Virginia, and District of Columbia, at Baltimore; (3) North Carolina, South Carolina, Georgia, and Florida, at Columbia; (4) Ohio, Indiana, Kentucky, and Tennessee, at Louisville; (5) Alabama, Mississippi, and Louisiana, at New Orleans; (6) Illinois, Missouri, and Arkansas, at St. Louis; (7) Michigan, Wisconsin, Minnesota, and North Dakota, at St. Paul; (8) Iowa, Nebraska, South Dakota, and Wyoming, at Omaha; (9) Oklahoma, Kansas, Colorado, and New Mexico, at Wichita; (10) Texas, at Houston; (11) California, Nevada, Utah, and Arizona, at Berkeley; (12) Washington, Oregon, Idaho, and Montana, at Spokane.

and, in accord with the spirit of the act, to insure the complete mobility of capital seeking farm mortgage investment.

The selection of the sites for the twelve federal land banks naturally followed the delimitation of the land bank districts. In the settlement of this problem, which was aggravated by the fact that over one hundred cities had presented their claims for selection, it was felt that some preference should be shown to those cities where there was already an aroused interest in agriculture rather than to the great commercial centers. In district 1, for instance, the award was made to Springfield rather than to Boston; and in district 11 to Berkeley rather than to San Francisco. In some cases it was possible to select a city which represented the approximate geographical center of the district; in others, to make the award to cities which, by a small margin, had failed in their efforts to gain commercial recognition from the Reserve Bank Organization Committee. This was notably true in districts 2, 5, and 7. But on the whole, the claims of the great commercial and distributing centers were unfavorably regarded. St. Louis was the only city having a federal reserve bank to be chosen as the site of a federal land bank.

The organization of the land banks proceeded slowly. It was not until March 1, 1917, that the first charter was granted. Meanwhile, the board had been confronted with the task of choosing a registrar and five directors for each bank. In the selection of the directors it was inevitable that mistakes would be made, because there was no way of knowing whether men experienced in the management of other financial undertakings could adapt themselves to the work of entirely new institutions. In those districts where it was mathematically possible, the board attempted to give each state one representative on the directorate of the land bank in the hope that such representation would prove beneficial to the management. Moreover, if loans were refused in a particular state, or if a low valuation were placed upon certain kinds of land, the residents of that state would have no grounds for complaining that they had not been properly represented. It subsequently appeared that some of the directors had misconceived their duties, believing that their primary function was to serve the interests of their own state. In other cases there were personal differences which aroused a good deal of public comment. In two of the land banks there was a distinct lack of harmony in the management, and the board was obliged to make new selections.

As was expected, most of the stock of the land banks was subscribed for by the Secretary of the Treasury on behalf of the United States. While the act had provided that subscriptions should first be received from individuals, firms, corporations, and state governments, the board made no attempt to encourage such subscriptions. In fact there was little in the investment possibilities of the land bank shares that would appeal to private investors. The payment of dividends the first year was clearly out of question; in the hands of private individuals the shares carried no voting power; it seemed improbable, moreover, that dividends in excess of 6 per cent would ever be paid, because the banks were established for the express purpose of reducing interest rates to farmers; finally, the law provided for the gradual retirement at par of the original capital stock of a land bank after the subscriptions by national farm loan associations in that district had amounted to \$750,000. The stock was made available to the public January 10, 1917, for a period of thirty days. The total subscription which the Secretary of the Treasury was called upon to make on behalf of the government amounted to \$8,891,270.⁴

II

The land bank organization was merely the superstructure of the new system. The twelve banks were not intended to deal directly with individual farmers but with intermediary institutions. Borrowers desiring long-term loans amounting in the aggregate to at least \$20,000 might organize national farm loan associations which would deal with the land bank of the district; or, if within one year after the passage of the act no such associations had been formed in a given locality and were not likely to be formed, the board might appoint banks, trust companies, mortgage companies, or savings institutions incorporated under state laws, as agents through which a land bank would make long-term loans subject to the same general conditions as if they were made through national farm loan associations. It was clearly the in-

⁴ The government's share of the \$750,000 capital stock of each bank was as follows:

Springfield	\$739,925	St. Paul	\$744,740
Baltimore	741,485	Omaha	710,670
Columbia	750,000	Wichita	744,165
Louisville	742,265	Houston	741,235
New Orleans	745,730	Berkeley	744,010
St. Louis	742,075	Spokane	744,970

tention of Congress to encourage the formation of borrowers' associations, but the way was left open to utilize, if necessary, some of the institutions already in existence.

The lending activities of the federal land banks necessarily waited upon the formation of national farm loan associations. Here again the organization process was slow. In addition to the natural difficulties that have always attended the formation of coöperative associations among farmers accustomed to a highly individualistic régime, there were technical difficulties to be overcome—difficulties growing out of the administration of a land credit system which had no American precedent. Scant attention was given by the board to ways and means of overcoming the first difficulty, except to point out the value and magic of coöperation. Inasmuch as the act had virtually proclaimed the necessity of organizing farm loan associations before loans could be granted, the board fell to the task of educating the farmer to an understanding of the proper method of organization, the advantages of long-term loans repayable by amortization, and the economy of converting old mortgages into new ones bearing a lower rate of interest. The campaign of education was conducted through the public press, popular magazines, agricultural journals, the Department of Agriculture, and the publications of the Farm Loan Bureau.

The second set of difficulties required the closest attention of the board. Owing to the indefinite character of many of the provisions in the act, and the broad discretionary powers conferred upon the board, there were numerous perplexing questions to be settled with reference to the most desirable size of an association—the number of members, the amount of loans, and the extent of territory covered; the compensation to be allowed the secretary-treasurer and the members of the local loan committee; the charges for appraisal and the determination of title. In addition, there were questions as to what borrowers were eligible, the purposes for which loans might be made, the kind of land which might be accepted as security, and the valuation that should be placed upon certain classes of land. Among other things the board ruled that an actual farmer is one who conducts the farm and directs its entire operation, with or without hired labor, "but that he need not necessarily reside upon the farm mortgaged"; that "equipment" (one of the purposes for which loans were authorized) includes the "improvements needed in the conduct of a farm to

facilitate its operation, including teams as well as machinery, tools and the like"; that "improvements" include "anything in the form of a beneficial structure"; and that it is unnecessary for borrowers to cultivate all of the land mortgaged.⁵

One other important question had to be decided before farm loan associations could begin their operations, namely, whether the laws of the particular state relating to foreclosure, homestead exemption, the conveying and recording of land titles, etc., were such as to afford sufficient protection to the holders of first mortgages. Investigation showed that the laws of Louisiana and Texas were not wholly satisfactory.⁶ In the former state the board refused to sanction loans until the state law had been amended to remove the lien of the widow's dowry upon the lands of decedents. This amendment was promptly authorized by a special session of the legislature. In Texas, the law exempting homesteads from execution and mortgage was unfavorably regarded, but it was not found necessary to refuse loans altogether. In spite of the homestead exemption the federal land bank at Houston has been able to make a fairly large volume of loans. The law still exists (December 1, 1918) and works greatly to the disadvantage of some farmers.

The first charter was granted to a national farm loan association March 27, 1917. Since that time there has been a steady increase in the number of associations formed and the volume of loans granted. The general progress of this part of the system during the first year and a half is shown in the following table:

⁵ *First Annual Report of the Federal Farm Loan Board*, 1917, p. 15.

⁶ In order to relieve the distress growing out of a disastrous crop season, the legislature of North Dakota passed a law January 30, 1918, authorizing counties to issue bonds and make loans to farmers for the purpose of buying cattle feed and seed wheat. Among other things it was provided that the lien of such loans should have precedence over all obligations which borrowers might subsequently incur. The effect of this law was to make it impossible for the federal land bank at St. Paul to continue the granting of loans, within the state, that would be or would remain first liens. This condition of affairs lasted for more than two months. Finally, a plan was adopted under which any farmer wishing to borrow from the federal land bank might give a surety bond protecting the bank against the making or enforcement of a lien under the "seed and feed" law. This arrangement seemed to meet the satisfaction of all parties, and the activities of the federal land bank were resumed in that state.

District	Associations chart- ered to Nov. 30, 1917	Loans closed to Nov. 30, 1917	Associations in ex- istence Nov. 1, 1918 ⁷	Loans from organization to Nov. 1, 1918		
				Appl'd for ⁸	Approved	Closed
1. Springfield ..	55	\$708,455	111	\$9,593,194	\$7,111,195	\$5,482,875
2. Baltimore ..	77	1,599,900	129	9,545,672	7,591,865	5,441,950
3. Columbia ...	157	918,345	318	22,254,446	11,553,654	6,932,820
4. Louisville ...	194	1,782,300	265	19,713,829	13,962,100	8,897,900
5. New Orleans	168	1,634,335	304	23,032,448	14,312,925	10,043,615
6. St. Louis	140	1,254,470	319	15,879,095	12,947,840	9,455,077
7. St. Paul	126	4,418,100	416	33,163,700	22,950,350	19,773,300
8. Omaha	79	1,787,490	265	25,197,870	20,767,740	15,642,740
9. Wichita	344	7,390,900	381	21,644,651	17,349,500	15,017,600
10. Houston	153	1,145,345	275	26,718,019	26,366,135	12,528,379
11. Berkeley	87	1,818,400	154	13,401,306	10,558,000	8,502,000
12. Spokane	259	5,366,615	421	45,251,882	29,225,120	21,659,900
Total	1,839	\$29,824,655	3,358	\$265,396,112	\$194,696,424	\$139,378,156

⁷ Does not include charters cancelled. Of these there have been sixty-nine, forty-six in the Wichita district alone.

⁸ Does not include cancelled and rejected applications.

In view of the difficulties attending the formation of national farm loan associations, the system has made remarkable progress. During the month of October, 1918, loans to the amount of \$7,580,736 were made to 3,075 farmers, and this represents approximately the monthly progress of the system thus far. On November 1 there were 3,358 associations in operation; 61,174 individual loans amounting in the aggregate to \$139,378,156 had been made on land mortgage security. While to some this record of accomplishments may seem disappointing—when account is taken of the total amount of mortgage indebtedness in the United States, the period of time during which the system has been in operation, and the public enthusiasm which the new legislation aroused—it must be noted that the work of organizing farm loan associations has only begun, that those already in existence may be expected to add materially to the number of their members, and that in spite of numerous obstacles yet to be overcome the present rate of progress is likely to continue.

It now seems clear, however, that the act provided for more land bank districts than were needed or desirable. Ten districts would have been sufficient. Districts 1 and 2 might well have been combined as it is difficult to see how the Springfield or Balti-

more banks can be profitably operated without the continued use of government capital. Likewise, the small volume of loans applied for in the St. Louis and Berkeley districts would suggest the desirability of a smaller number of districts and a readjustment of the boundary lines. But inequalities in the apportionment of the districts were inevitable; and it is improbable that important changes will be made. For, while the act authorized the board in its discretion to readjust the boundary lines, it definitely fixed the number of land bank districts.

It is also clear that the greatest demand for farm loans under the new system comes from the West and South—the comparatively new farming sections where high interest rates have obtained. At present, the St. Paul and Spokane districts, embracing the Northwestern States, lead all others both in the number of associations formed and the volume of loans applied for. Excluding Texas, which is a district by itself, more associations have been formed in North Dakota than in any other state, and Washington is a close second. The popularity of the farm loan association in communities where interest rates have been high is further evidenced by the fact that in district 6, comprising Illinois, Missouri, and Arkansas, the demand for loans and the number of associations formed is far greater in Arkansas than in Missouri or Illinois. On November 1, 1918, the number of associations operating in these states was 132, 112, and 75 respectively.

That the number of associations from one state to another should vary directly with the rate of interest on private capital and inversely with the extent to which the coöperative spirit has been manifest is, at first glance, paradoxical. Certainly the farmers of the West are the least coöperative at heart. In the past they have shown a decided preference for dealing with institutions conducted for profit. Had it been possible for them to share in the benefits of the new legislation by borrowing from established institutions at a rate of interest almost as low as that accorded to the members of farm loan associations, it is doubtful whether many associations would have been formed. But no such alternative materialized, first because of the little use that was made of the section in the act providing for the appointment of agents. Up to November 1, 1918, only seven agents had been appointed, and all of these were in the St. Paul district. Their total loans amounted to \$302,900.

Many of those who at the time of the passage of the act recog-

nized the difficulties that would attend the organization and management of farm loan associations, gave their undivided support to the measure on the ground that the section providing for the appointment of agents was, after all, the most promising feature of the new legislation; that whether or no other sources of credit materialized, land bank agents might be depended upon to fulfil the purpose for which the new system was established.

The small use which has been made of these lending agencies thus far is due to a combination of causes. In the first place, there were administrative difficulties growing out of the law itself. The borrower was required to contribute 5 per cent of the amount of his loan to the stock of a federal land bank, and the commission paid by the land bank to an agent was to be deducted from dividends on the borrower's stock. Since the largest annual commission allowed by the law to an agent was one-half per cent of the unpaid principal of a loan, and dividends are not being paid on land bank stock, it is difficult to understand how this section can be construed so as to permit of its administration. Even if the land banks were paying dividends of 8 per cent—and that seems to be beyond all range of possibility—how could the commission charge on a \$1,000 loan be deducted? It is conceivable, of course, that a land bank might not be willing to pay the maximum commission, but would banks and mortgage companies serving as agents be willing to endorse the loans they make for an annual commission of less than one-half per cent? At present there is a margin of only one-half per cent between the borrower's rate of interest and the rate paid on federal farm loan bonds; and if a land bank were to pay the maximum commission charge, it would be lending the proceeds of its bond sales at a decided loss.

In view of these difficulties and of the further fact that agents may make loans only so long as the district in which they operate is inadequately served by farm loan associations, there is really no incentive for banks and mortgage companies to serve in the capacity of agents, nor can their service be anything but a source of annoyance to the administrators of the law. These defects in the act are clearly recognized by the members of the board when they "deem it unlikely that general use will be made or can be made of the section in its present form."⁹

III

Quite another set of problems confronted the board when the land banks were called upon to make loans. Chief among these

⁹ *First Annual Report*, p. 24.

problems was that of keeping the banks supplied with a continuous flow of loanable funds. In providing the machinery for this purpose the act had assumed that as a bank invested its capital in mortgage loans it would pledge the mortgages as security for a bond issue, sell the bonds, and thereby maintain a continuous supply of working capital. This assumption, however, overlooked the fact that the mere mechanical process of issuing bonds involved delay, that a large portion of a bank's capital would be locked up in farm loans at a time when the mortgages were not yet available for bond issues, and that in the case of some of the land banks all of the original capital might be exhausted before bonds could possibly be issued. Moreover, it was not fully realized that these bonds would be a new type of security to American investors, and that in spite of their attractive investment qualities they might not appeal to conservative investment classes.

In order that the land banks might have the most immediate and dependable market for their bonds, the board sought the co-operation of a group of bond houses.¹⁰ These houses agreed to associate with themselves bond dealers in every federal land bank district; to purchase 40 per cent of the bonds issued under the first agreement; and to retail them at a price of $101\frac{1}{8}$. The rate of interest borne by the bonds was $4\frac{1}{2}$ per cent. They were drawn for a term of twenty years, and might be called after the expiration of five years. Under this agreement the syndicate purchased approximately \$25,000,000 of the bonds.

The establishment of an interest rate of $4\frac{1}{2}$ per cent on federal farm loan bonds made it necessary that the land banks lend at not less than 5 nor more than $5\frac{1}{2}$ per cent. It was known that even if loans were made at the maximum rate, the full margin of 1 per cent would not enable the land banks to meet their expenses the first year. Nevertheless the borrower's rate was fixed at 5 per cent. At the same time the board strongly advised that farmers take out their mortgage loans for a period of thirty-six years.

A good deal of hostile criticism was aroused in certain quarters¹¹ on account of the wide difference in the terms for which bonds and mortgages were to run. It was claimed that, inasmuch as bonds and mortgages were improperly matched, the board was leading the land banks to financial ruin, that when the bonds ma-

¹⁰ The syndicate was composed of Alexander Brown and Sons of Baltimore; Brown Brothers and Company of Philadelphia; Harris, Forbes and Company of New York; and Lee, Higginson and Company of Boston.

tured the banks would be unable to meet their obligations because of the unpaid principal on their loans. But such criticism could scarcely be made in good faith by any one familiar with the activities of foreign rural credit associations. It is no violation of sound land credit principles to make loans for one term of years and to issue bonds for another so long as the volume of outstanding bonds does not exceed the unpaid principal of the loans. Certainly in the present case there was ample justification for the board's policy. If, at the outset, it was expedient to fix a low rate of interest on loans, it was also desirable that the yearly charge for amortization be small. Otherwise it might not have seemed advantageous to borrowers in the older agricultural sections, where the yearly cost of borrowing is already low, to fall in line with the spirit of the new system and organize associations. From the point of view of the investor the short-term bond was preferable to a bond maturing in thirty-six years because of the novel character of the investment. And on the administrative side there was the hope that most of the $4\frac{1}{2}$ per cent bonds might be called in before maturity and converted into 4 or $3\frac{1}{2}$ per cent bonds. Finally, if the unexpected should occur, and a large number of borrowers allowed their loans to run until maturity, the unpaid portion of their principal at the end of twenty years would still be available as security for new bonds, bearing a lower rate of interest, from the proceeds of which all obligations could be promptly met.

The entrance of the United States into the European conflict greatly affected the board's policy as to interest rates on bonds and mortgages. Between the first and second Liberty Loan issues, no difficulty was experienced in marketing nearly \$30,000,000 of farm loan bonds at a premium. But the absorption by the government of nearly six billion dollars of capital within a period of six months and the rapid rise in interest rates, made it evident that even with a reduction in the premium on farm loan bonds they could not be marketed either in the amount or with the promptness that the farm loan situation required. For, in addition to the consideration that the normal farm loan needs of the country must be supplied, there was the fact that war prices

¹¹ See especially the criticism by Myron T. Herrick in *Journal of the American Bankers Association*, vol. X (March, 1918), pp. 641-643; also of R. Ingalls, *Congressional Record*, vol. 56 (April 6, 1918), pp. 5127-5131.

had greatly stimulated the demand for farm loans, and that everywhere farmers were being urged to increase their efforts.

In the face of the nation-wide propaganda to further the production of foodstuffs, the rise in the rate of interest on highly marketable securities caused some withdrawal of private capital from the farm mortgage field. Except in those cases where motives of patriotism forbade "profiteering" in interest rates, the renewal of maturing farm loans at the old rate of interest was not an easy matter. In short, the difficulties that beset borrowers in getting accommodation from the old established institutions whether for the renewal of maturing loans or for the purpose of extending their agricultural operations, created a distinct demand for the services of the federal land banks which were in no position to furnish the funds required.

The first step taken by the board in dealing with this problem was to recommend to the several banks that the interest rate on mortgages be increased to $5\frac{1}{2}$ per cent. This rate became effective December 6, 1917. The second step was to submit to Congress an amendment to the law authorizing the Secretary of the Treasury to purchase farm loan bonds at par and accrued interest to an amount not exceeding \$100,000,000 in each of the fiscal years ending June 30, 1918, and June 30, 1919, to be subject to redemption or resale by the land banks at the same price. This amendment was approved January 18, 1918. Finally, in May the interest rate on farm loan bonds was increased to 5 per cent.

The necessity of calling upon the Federal Treasury to purchase "instrumentalities of the Government of the United States," was especially obnoxious to those who had been hostile toward the farm loan system from the time of its inception. But in view of the peculiar situation created by the war, there appears to have been abundant justification for this temporary expedient. Not only did it enable the land banks to continue the granting of loans to an essential war industry, but it accomplished this purpose without interfering in any way with the sale of Liberty bonds. Doubtless the public offering of tax-exempt farm loan bonds bearing high interest rates at a time when Liberty bonds were being subjected to heavier taxes, would have caused no little embarrassment to the Secretary of the Treasury.

On December 1, 1918, the total volume of federal farm loan bonds outstanding amounted to \$140,500,000.¹² Under the authority granted by the amendment of January 18, the Treasury

Land bank	Bearing 4½ per cent	Bearing 5 per cent	Total
Springfield	\$1,750,000	\$3,250,000	\$5,000,000
Baltimore	2,750,000	2,500,000	5,250,000
Columbia	3,000,000	3,500,000	6,500,000
Louisville	4,750,000	4,250,000	9,000,000
New Orleans	5,750,000	5,000,000	10,750,000
St. Louis	4,500,000	6,500,000	11,000,000
St. Paul	14,500,000	5,750,000	20,250,000
Omaha	11,000,000	3,250,000	14,250,000
Wichita	10,750,000	3,500,000	14,250,000
Houston	7,250,000	5,750,000	13,000,000
Berkeley	5,250,000	2,750,000	8,000,000
Spokane	13,750,000	9,500,000	23,250,000
Total	\$85,000,000	\$55,500,000	\$140,500,000

had purchased altogether \$67,660,000 of the bonds, and the land banks had repurchased and sold at a substantial premium \$11,690,000 of the 5 per cent bonds dated May 1, 1918. The remainder, amounting to \$55,970,000 and bearing 4½ per cent represented the net total of the bonds purchased and held by the Secretary of the Treasury.

Another provision in the amendment of January 18 was concerned with the internal organization of the land banks. The original act provided that as soon as the subscriptions of national farm loan associations to the stock of any land bank had reached the sum of \$100,000, that is, when a land bank had made loans to the amount of \$2,000,000, the number of land bank directors would be increased from five to nine. Six of these, known as "local directors" were to be chosen by and be representative of national farm loan associations. It provided, moreover, that after a land bank had received stock subscriptions of \$750,000 from farm loan associations, it should begin the retirement of the shares subscribed for by the government and the public by applying semi-annually 25 per cent of all sums thereafter subscribed to the retirement of the original stock.

In accordance with this second provision, the Spokane and St. Paul banks retired government stock during the month of November, 1918, to the amount of \$74,583 and \$52,131 respectively. During the same month the subscriptions to the stock of the

¹² The total volume of 4½ and 5 per cent bonds outstanding in the name of each land bank was as follows:

Omaha and Wichita banks also exceeded \$750,000, and these banks are therefore expected to retire a portion of their government stock in May, 1919.¹³ In spite of this progress, however, none of the land banks has been organized on a permanent basis. In view of the fact that the government must for several years continue to be a majority stockholder in the banks, that the banks themselves may be employed as financial agents of the government, and that the Secretary of the Treasury was required to purchase their bonds, it was the judgment of the board that the government should name a majority of the land bank directors so long as it continued to be the majority stockholder. Accordingly, the amendment providing for the purchase of farm loan bonds by the Secretary of the Treasury also provided that the temporary organization of any federal land bank should be continued so long as any farm loan bonds were held by the Treasury, and until the subscriptions to stock by national farm loan associations equalled the amount of stock held by the government.

Thus far none of the land banks has paid dividends, but four of them, namely, Omaha, St. Paul, Wichita, and Spokane, are now accumulating surpluses and it is anticipated that their earnings will soon warrant dividend payments. The business of the other banks has been comparatively small, too small to overcome the impairment of capital which, as a matter of course, began as soon as they were organized. Handicapped by their inability to make loans through agents, they have been obliged to wait upon the formation of national farm loan associations. Moreover, their expenses have proved to be rather burdensome on account of the large number of small borrowers and the fact that the costs of appraisal and determination of title are practically the same whether a loan is large or small. While a portion of this expense has been shifted to the borrower, there remains a fixed charge upon the land banks which cannot be materially reduced so long as the average size of loans is small. With a view to increasing the net earning power of the less prosperous banks, the board has suggested to Congress that the maximum loan authorized by the act be increased from \$10,000 to \$25,000.¹⁴ At the same time it calls attention to the fact that the question of dividends is relatively unimportant and that the lack of dividends on stock

¹³ *Annual Report of the Secretary of the Treasury*, 1918, p. 104.

¹⁴ *First Annual Report*, p. 24.

held by national farm loan associations is fully made up to borrowers in the form of a low interest rate on their loans.

IV

In order to protect the farm mortgage companies already in existence and to satisfy those who favored private enterprise as the proper basis of land credit reform, the act provided for the voluntary incorporation of joint stock land banks under a federal charter. The status of these banks in the new system was peculiar. While they were in no way dependent upon the formation of national farm loan associations, and were free from many of the restrictions imposed upon federal land banks, a joint stock bank could make mortgage loans in only two states contiguous to one another, and could issue bonds only up to fifteen times its capital stock and surplus. At the same time these banks were dependent upon the services of a federal land bank appraiser and the farm loan registrar, and were subject to supervision by the Federal Farm Loan Board. In providing for two distinct types of bond issuing banks, the act was in reality a combination of two distinct laws; but the section dealing with joint stock banks was carelessly framed and so involved with other sections that it was exceedingly ambiguous and, on some points, even contradictory.¹⁵

It was almost a year after the passage of the act before any joint stock land banks were organized. The law itself was responsible for this delay, first, because it did not meet with the approval of farm mortgage bankers, and secondly, because it was impossible for a joint stock bank to begin active operations until the federal land banks had been firmly established. In the South and West, however, a number of "rural credit associations" came into existence almost immediately after the act was passed. The representation was made that these associations would subsequently be recognized under a federal charter. Liberal fees were paid to those who sold the stock, and liberal promises were made to farmers who subscribed for the shares. Many of these concerns were clearly fraudulent and the board was obliged to intervene for the protection of the stockholders. One of the first rulings adopted by the board was that no charter would be granted to any joint stock land bank in the organization of which there had been any expense for promotion.

Although a few joint stock banks were organized almost im-

¹⁵ See AMERICAN ECONOMIC REVIEW, vol. VI, p. 727, footnote 30.

mediately after the federal land banks were ready to begin their operations, progress thus far has been slow. Up to November 1, 1918, nine such banks had been formed, and five of these had issued bonds amounting in the aggregate to \$6,875,000. The significant facts relative to the organization and operation of these banks are shown in the following table:

Name of bank ¹⁶	Date of organization	Location of principal office	Territory	Capital	Bonds	Interest rate on bonds
Iowa	Apr. 24, 1917	Sioux City, Iowa	{ Iowa S. Dak.	\$1,125,000	\$75,000	<i>Per cent</i> 5
Virginian...	May 7, 1917	Charleston, W. Va.	{ Ohio W. Va.	250,000	800,000	5
Fletcher	June 28, 1917	Indianapolis, Ind.	{ Ind. Ill.	250,000	{ 1,400,000 800,000	5 4½
First	July 25, 1917	Chicago, Ill.	{ Ill. Iowa	375,000	3,300,000	5
Liberty	Jan. 9, 1918	Salina, Kans.	{ Kans. Mo.	250,000	500,000	5
Mississippi..	June 22, 1918	Memphis, Tenn.	{ Tenn. Miss.	250,000		
Arkansas....	June 22, 1918	Memphis, Tenn.	{ Tenn. Ark.	250,000		
Lincoln.....	July 12, 1918	Lincoln, Neb.	{ Neb. Iowa	250,000		
Bankers.....	Sept. 6, 1918	Milwaukee, Wis.	{ Wis. Minn.	250,000		

¹⁶ The name as indicated must be followed in each case by "joint stock land bank" in conformity with a ruling of the board.

Another fact of significance is that only four of these banks were engaged in the business of negotiating farm mortgages prior to the date of their organization as federal corporations, and two of these, located at Memphis, are operated by the same group of mortgage bankers. Manifestly, farm mortgage companies have been reluctant to change their form of organization or the method of conducting their business—and for good cause. The larger companies have perfected an organization extending over several states. The territory in which they operate has been carefully selected, they have the goodwill of a large and dependable clientele, and with a very small amount of capital they can conduct a large and fairly profitable business. Moreover, their mortgages can be sold without recourse and they are under no obligation to limit the volume of their loans. Finally, the business of these companies has hardly been affected by the operations of the federal land banks. The activities of the farm mortgage companies have been

confined for the most part to the states that rank first in agricultural development, while the business of the federal land banks has come largely from the newer agricultural sections. Where these two systems are thrown into competition with one another, the advantages offered by the federal land banks in the form of a lower rate of interest may be offset by the fact that the farmer who borrows from a mortgage company knows in advance the approximate cost of his loan; he can repay his principal in whole or in part before the expiration of five years; and the period of time elapsing between the application for and the closing of a loan is, in most cases, exceedingly short. It could not, therefore, be expected that a large number of companies engaged in making land mortgage loans would reorganize under a federal charter.

It is not to be inferred, however, that farm mortgage bankers have been indifferent toward the new legislation merely because they have not yet felt the competition of the federal land banks. On the contrary, they have been thoroughly aroused by the steady growth in the number of farm loan associations. And, although discounting the ultimate success of these potential competitors, they are endeavoring to secure certain changes in the law in order that they might be able, should the necessity arise, to come in under the new system and compete with the federal land banks on more advantageous terms. The specific amendments which they propose were the outgrowth of a series of conferences, beginning in October, 1917, and lasting until January 5, 1918, between a special committee of the Farm Mortgage Bankers Association and the Federal Farm Loan Board. These amendments, if approved, would permit a joint stock land bank: (1) to make mortgage loans in all parts of the continental United States; (2) to issue farm loan bonds up to twenty times its capital and surplus; (3) to make loans at a maximum rate of $6\frac{1}{2}$ per cent; (4) to sell mortgages without recourse when not to be used as security for bond issues; (5) to make short-time loans and single payment loans or loans payable in instalments; (6) to invest a portion of its funds in municipal bonds and other securities to be approved by the board; (7) to substitute the word "national" in place of the words "joint stock" in the corporate name; and (8) to go into voluntary liquidation. In addition, it is proposed that the provisions of the law relating to joint stock land banks be brought together into one complete section so that they may be entirely independent of the sections pertaining to federal land banks.

To the first three of these proposed amendments the board has offered no objection.¹⁷ On the other proposed changes the board has been unwilling to express an opinion in advance of a request from Congress. It would seem only reasonable, however, that farm mortgage companies reorganized as joint stock land banks be allowed these additional privileges. In the early period of their existence, the privilege of selling mortgages without recourse, and of making loans payable in lump sum, would enable them to retain those clients who prefer the old farm mortgage methods. The power to make short-time loans and to invest in certain classes of municipal securities would insure a maximum earning power for funds that might otherwise be idle. The argument that the words "joint stock" are of foreign origin and convey no definite meaning to American investors is well taken. In proposing that the word "national" be substituted for "joint stock" in the corporate name, and that such banks be allowed to go into voluntary liquidation, the farm mortgage companies are merely asking to be put upon an equal plane with national banks. Finally, the provisions of the law dealing with joint stock banks should be brought together and rewritten, even at the risk of repetition, in order to clarify the legal status of these institutions.

If these changes in the law are approved—and a bill¹⁸ embodying the proposed amendments is soon to be introduced in Congress—the opportunity for private enterprise in the new system will at once be greatly extended. And, unless the country is definitely committed to a policy of government loans, this opportunity should be granted. Experience has shown that private enterprise can be depended upon to mobilize capital and reduce interest rates if given the proper machinery, and that institutions conducted for profit can operate successfully in competition with state-aided ventures. It is worth noting in this connection that on November 1, 1918, the Virginian Joint Stock Land Bank, operating in Ohio and West Virginia, had issued bonds to the amount of \$800,000, and that the total volume of mortgage loans made by the federal land banks in the same territory was \$1,396,100. On the same date, the Fletcher Joint Stock Land Bank had issued bonds to the amount of \$2,200,000 on the security of mortgage loans made in Indiana and Illinois, and in these states the loans

¹⁷ See *First Annual Report*, p. 23.

¹⁸ See *Bulletin of the Farm Mortgage Bankers Association*, vol. IV (July, 1918), pp. 17-25.

of federal land banks had amounted to \$6,306,960. When account is taken of the prejudicial character of the law relating to private enterprise, the fact that federal land banks are much larger institutions than any of the joint stock banks yet formed, and that their interest rate to borrowers is somewhat lower, the progress of the joint stock land banks thus far is all that could be expected. If the amendments now proposed by the farm mortgage bankers are approved, it is not unlikely that joint stock land banks would conduct most of the farm mortgage business of the Middle West.

V

The purpose of the Federal Farm Loan act was clearly twofold: first, to improve the method of making loans; second, to reduce to approximate equality throughout the United States the cost of borrowing on farm mortgage security. Some of the outstanding qualitative results of this twofold program may now be noted.

It is unnecessary to point out that the system has already demonstrated the superiority of long-term loans repayable by amortization, and the advantages of mobilizing capital through the sale of bonds issued on the collective security of farm mortgages. Through the medium of federal farm loan bonds capital has been made to move from the investment centers of the country to the farm mortgage field with less expense to the borrowers than ever before. In the old agricultural states, the utilization of this machinery has not been attended with great economies, but in those sections where interest rates were formerly 8 to 10 per cent, the cost of borrowing has been materially reduced and the demand for loans greatly stimulated.

That the federal land banks have found their most promising field for operation in those states which under the old régime were not favorably regarded by the private capitalist, is shown by the fact that of the total loans they had made on November 1, 1918, 32.5 per cent had been made in the Southern States, including the South Atlantic division, where the farm mortgage indebtedness is 16.1¹⁹ per cent of that of the entire country. In the Mountain States the corresponding figures were 12.7 and 2.8 per cent; in

¹⁹ Estimates of the Department of Agriculture for 1915 based on the thirteenth census figures. See *Hearings before the Subcommittee of the Joint Committee on Rural Credits* (64 Cong., 1 Sess.), p. 107.

the Pacific Coast division, 12.7 and 5.6 per cent; in the West North Central States, 29.05 and 38.2 per cent; in the East North Central States, 8.4 and 26.2 per cent; and in the New England and Middle Atlantic divisions combined, 4.5 and 10.9 per cent. While the steady flow of capital²⁰ to the West and South should greatly stimulate agricultural progress, there is an apparent danger that in making too large a proportion of their loans in these sections, the land banks might expose themselves to those hazards which private mortgage companies have been careful to avoid.²¹ To the holder of federal farm loan bonds, however, this matter is of little concern because the investment status²² of these securities is not solely dependent on the ability of the land banks to meet their obligations.

Another device intended to reduce the cost of borrowing was the national farm loan association. Just as the rate of interest

²⁰ It may be that in some sections the outflow of capital is as great as the inflow because it is probable that most of the loans have been made for the purpose of refunding old obligations bearing a higher rate of interest. In analyzing the purpose for which \$44,580,035 of the loans were made, the board has found that 63 per cent of the proceeds were used to pay off mortgages; 10 per cent to pay other debts; 10 per cent for buildings and improvements; 8 per cent for the purchase of land; 4 per cent for the purchase of live stock; 3 per cent for the purchase of implements and equipments; and 2 per cent for the purchase of bank stock and for other purposes not specified.

²¹ It is the contention of every farm mortgage banker whom the writer has consulted that even in the older sections of the country, the federal land banks make a great many loans that no reputable farm mortgage company would consider well secured. There may be some truth in this contention. On the other hand it should be noted that the percentage of loans rejected by the land banks is very large. Up to November 1, 1918, the cancelled and rejected applications for loans amounted to \$123,886,120. Further evidence of conservatism is shown in the ruling of the board that land devoted to fruit growing and having no appreciable value for other purposes, cannot be accepted as security for mortgage loans. On this point the practice of some reputable farm mortgage companies has not always been so conservative.

²² It is worth noting that twenty-two states made federal farm loan bonds legal investments for all fiduciary and trust funds before any such bonds had been issued. These states were Arkansas, California, Colorado, Delaware, Florida, Idaho, Maine, Minnesota, Mississippi, Nebraska, New Hampshire, New Jersey, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, West Virginia, and Kansas. In the state of New York the governor declined to recommend to the legislature that such a measure be enacted, and there followed a spirited correspondence on the subject between Governor Whitman and Secretary McAdoo. (*Bulletin of the Farm Mortgage Bankers Association*, vol. IV, April, 1918, p. 14.)

was to be reduced by pledging mortgages as security for bond issues, so it was expected that through coöperative effort borrowers themselves would be able to reduce the administrative charge for loans. The specific machinery created for this purpose was not simple. It was provided that borrowers subscribe 5 per cent of the amount of their loans to the stock of a farm loan association; that the latter subscribe the same amount to the stock of a federal land bank; and that the commission paid by federal land banks to farm loan associations be deducted from dividends on land bank stock. The significance of this arrangement was that commissions would not be paid in advance, and that any portion of the charge not needed to cover expenses would be returned to the borrower in the form of dividends on stock.

It so happens that while the cost of borrowing has been reduced to those farmers who are members of farm loan associations, it has not been reduced in the manner originally contemplated. In fixing the rate of interest on loans at 5 and $5\frac{1}{2}$ per cent when the interest rate on federal farm loan bonds was $4\frac{1}{2}$ and 5 per cent, the administrative charge allowed by the board has been too small to permit the payment of dividends, and it has therefore been impossible for farm loan associations to retain any portion of the commission. Indeed it is difficult to perceive how these associations can ever meet their expenses out of a commission allowed by the federal land banks, when the amount of commission sufficient for that purpose will always be larger than dividends on land bank stock. For the present, however, this technical defect in the law has been overcome by the associations themselves. In some cases funds for current expenses are collected from members by means of assessments. There may be also a membership fee of \$2.50 or \$5 to be retained by the association whether a loan is made or not. In most associations the borrower contributes one-half per cent of the amount of his loan, or more, when the loan is closed.

The utility of the farm loan association as a principal source of land credit under the new régime is exceedingly doubtful. Even if dividends were paid on the stock of the federal land banks, it is not likely that the borrower would receive dividends on the stock of his association and at the same time be exempt from the payment of assessments. If it is contended that the borrower is relieved of the payment of commissions in advance, it should be noted that he is obliged to subscribe for stock out of his loan when there

is no immediate prospect that any of the subscription will be repaid. This charge alone is equivalent to a flat commission of 5 per cent payable in advance. Furthermore, the interval of time between the application for and the closing of a loan is necessarily long. Time is required not only for the organization of an association but also for the transaction of current business. The process of closing a loan is a complex mechanical operation—especially perplexing to men who have not been accustomed to administering the affairs of credit institutions. While some of the associations have placed themselves in a position to pay for the services of such officers as are needed, this is by no means the rule, and in those cases where salaries are paid they are quite insufficient to command the time and attention of efficient men. Under these conditions the business of the associations is not conducted with the degree of accuracy and dispatch to be found in the business of private firms. It is indeed an open question whether the attempt to economize in the services of efficient middlemen is, after all, sound economy. Finally, there is a distinct tendency on the part of those borrowers who have obtained their loans to lose interest in the loans made to others. This tendency, manifest from the start, is directly opposed to one of the purposes which the act sought to accomplish when it made the farm loan association an integral part of the system, namely, of cultivating the spirit of co-operation among farmers.

It is still too early to pronounce the federal farm loan system either a success or a failure. In the light of its slow progress and meager accomplishments, one would hesitate to call it a distinct success. But its record thus far cannot be made the basis for estimating its future worth. The system is still in the organization stage. If it proves to be unsuccessful, it is not likely to be abandoned but rather to be modified to suit American needs. For the time being, however, it is certain that a much greater measure of success could be assured if coöperation were made entirely voluntary and borrowers were permitted to resort to the method of individual contract in obtaining loans. With most of them the individualistic instinct is deep rooted, and it will require something more than mere legislation to make them coöperative at heart.

GEORGE E. PUTNAM.

Washington University.

LABOR TURNOVER

In the issue of this REVIEW for June, 1918, an article appeared on "The Problem of Labor Turnover." The author, Mr. Paul H. Douglas, has given several instructive features on the definition, amount, and cost of labor turnover. The fourth part of the article, however, on the causes and remedies, is open to criticism on at least two points: first, the author omits to show that labor turnover is desirable to a certain extent; and, second, he practically ignores one very important remedy, namely, home ownership.

The general impression which is usually conveyed in discussions is that labor turnover is a social evil by 100 per cent. Viewed in a very narrow manner, this may almost be true; but considered in the broad light of human welfare there is nothing to support it. Migration from job to job, from industry to industry, from personal service to industry and from industry to personal service has marked advantages as well as disadvantages. Let the theoretical mental and physical tests be ever so perfect they never will and never can replace selection by actual application. Experience here, as in many other matters, is by far the best and most conclusive test. Not until the person has worked in the position or on the job will he, or some one more competent, know whether he is properly placed.

An individual's general satisfaction also enters into the problem. A man may be entirely capable of performing certain work and still he may not be contented. The place, the environment, the activity or lack of activity may not suit him. A multitude of whims affect one's likes and dislikes. The worker shifts about, for instance, in the plane of unskilled labor until he finds employment which appeals to his particular bent. Such shifting is desirable from the standpoint of the man and of the job. Improved theoretical tests may go far to measure a man's capability, but they will always fall considerably short in gauging adaptability. Experience seasoned by time will always satisfy the inclination. How often we find that an employee is doing satisfactory work but feels that he has "got to get into something else." Men change about until they strike "railroading." The job grows upon them. They stay during life or until pensioned. They may have had any number of jobs before taking up railroad work; however, here the nature of the work, the hours, the team-mates, the chances of promotion, all are to their liking. Whole families and even generations of families go "railroading" or "to sea" after selection by

experience. The satisfaction of the employee as well as capability brings the best results.

Another feature: Tens of thousands of instances are at hand to show that ability and capability change with age. For the boy, the young man, the middle-aged man, the elderly man, and the old man employment of different kinds is desirable and usually necessary. Furthermore, not only do the young grow old, but the lean grow fat, the weak grow strong, and the strong grow weak; the dull gain intelligence, while the bright through dissipation lose it. Methods and processes change through inventions and scientific management. Skill becomes obsolete and men refuse to change. Labor turnover readjusts the worker to the work. In certain industries the work is so strenuous that only the young and strong can endure its hardships. Labor turnover must supply the new blood.

Judgment ripens with age and many do not strike "life's gait" until middle age or later. One may pass from unskilled to skilled labor and then to various positions until the executive chair is reached. Some of the greatest administrators of our steel works were once dollar-a-day men, and some of our railroad presidents were once section hands or clerks. Labor turnover here in thousands of ways is evidence of advancements. Let the reader look back into his own career and he will possibly find an appreciable individual contribution to labor turnover. If the race is to live, women must leave gainful occupations and marry into homes. Labor turnover is a sociological necessity.

Due to changing economic conditions the entrepreneur must continually be on the alert to gauge the relative importance of land, labor, and capital; and labor turnover gives him one means of effecting the most economical use of these factors. Therefore, society is greatly benefited by that migration in employment which takes care of all these changes, unavoidable to a large degree. They are natural and must go on. To stop them is impossible, even fatal. Labor turnover is evidence of Mill's dynamic state.

The point to be emphasized here is not so much that a certain portion of labor turnover is desirable, but rather that the study and solution of this problem should divide itself into two broad phases: (1) to define and discourage undesirable turnover; (2) to define and encourage desirable labor turnover. For it is just as scientific to get an individual out of a job or position which he has outgrown or in which he has become inefficient as it is to get him

into one for which he is best fitted. The definition of desirable labor turnover will help to define undesirable turnover, and vice versa.

Home ownership as a remedy for undesirable labor turnover has either been ignored or has not been accorded the prominence it should have. Other things being equal, the worker living to rent in a multiple-family house cannot compare with the worker living in a home of his own. This holds for members of the family gainfully employed as well as for the head of the house.

Home ownership tends to reduce migration of labor. The semi-gypsy life of the renter has just the opposite effect. Every city has its great moving population. The renter often moves upon the slightest provocation. Instead of facing the problems of home building he avoids them. Instead of taking the constructive attitude of the home builder he is rather destructive. The difference in the mode of living and the philosophy of the two classes must have a marked effect upon their character and also upon their attitude in meeting their daily tasks.

Specifically, then, why should home ownership be encouraged to the maximum? The worker living in an individual home which he owns is more dependable and loyal. He has a direct economic interest in the city as a landowner and taxpayer, and therefore is a more responsible citizen and also a more responsible employee. The more serious attitude of the home owner naturally makes him more thorough in his work. But besides all this, home building affords one of the best avenues for self-expression. Every feature of the house and its surroundings—the arrangement of the rooms, the efficiency of the heating and lighting system, the products of the work-bench in the basement, the condition of the street, the walks, the parking, the garden, the lawn, the trees, the flowers—can and should be a source of great pride. Indirectly the home leads to greater self-expression in civic and social affairs. And activity in these affairs affords an outlet for the instincts of self-sacrifice and loyalty. Intelligent voting, prompt tax paying, acceptance of unremunerative civic positions—all give play to these instincts. In acquiring a home and in improving it, the instinct of saving is exercised and developed. Being a successful householder commands the esteem of one's fellows and leads to a high degree of self-respect.

Through this great institution, then, with all its problems and opportunities, the worker employed at monotonous labor and having in no way a real interest in the ultimate product, can find

abundant sources of mental activity during the trying hours of his task, and the instincts of self-expression, loyalty, self-sacrifice, and saving can have full play. Moreover, if his regular work tends to misdirect his physical development the chores in and about the house afford all-round physical exercise. The ultimate result is that the artificial regular work which has no end in itself is rather made a means to an end. It is a means, if the wages and hours permit, toward a full mental and physical development through home building and true citizenship—the foundation of democracy.

City planning and undesirable labor turnover are therefore inextricably interwoven. The city planner, to reduce labor turnover, must do his share in providing land room, good houses, and transportation for the man of small means. And in the United States the aim should be to stress the individual home. In Europe "housing" is in vogue, and it is taking hold here too. Great civic embellishments and colossal city grandeur in Europe stand side by side with widespread multiple-family housing. A committee of the Amalgamated Street Railway Employees of America made an inspection of the housing conditions of their fellows in Europe and in their report stated that few owned their own homes as the wages did not permit home ownership. It probably is not only a question of wages but also involves the economics of city planning. May not the excessive energy and money expended in civic beautification tend to deny the worker, if it does not directly deny him, the opportunity for having his individual home and make it impossible for him to exercise that incentive, that pride in having a sole economic interest in a home "all his own"? The most sacred duty of the American city planner, or replanner, is to so subdivide our precious and exhaustible gift of nature, land, that every square foot will count toward establishing lots within reach of the laborer and clerk. The ideal should be a minimum of investment, taxes, and special assessment, commensurate with comfortable living. House as many families in individual homes as possible and give them good transportation to all parts of the city. There is much at stake here in solving the evils of labor turnover and even labor unrest.

University of Wisconsin.

GEORGE J. EBERLE.

Note: The American Economic Association could probably render no greater service to mankind than to study the inter-relations here suggested and point out a solution. The economist may well turn city planner. To have good homes in our cities is a national economic problem.

REVIEWS AND NEW BOOKS

General Works, Theory and Its History

The Economics of Progress. By J. M. ROBERTSON. (New York: E. P. Dutton and Company. 1918. Pp. vii, 298. \$5.00.)

The Economics of Progress contains lectures delivered by the Right Honorable J. M. Robertson, M. P., to the Political and Economic Circle of the National Liberal Club. These lectures are printed as delivered, with little change, and can be said to make but small pretense to constituting a systematic treatise on economics.

This fact makes it somewhat difficult to classify the author with regard to schools of thought. He is obviously not an "orthodox" economist, for he attacks Professor Marshall all along the line and adopts a definition of capital which is quite different from that held to by most economists. The historical school he assails vigorously, defending Ricardo against their criticisms. His strongest affinity appears to be with the Fabian socialists; as his tendency seems to be towards a rather opportunistic state socialism to be arrived at through evolution rather than revolution: "The greatest of all revolutions, surely, is that gradually and peacefully wrought by evolution." He speaks of the complete historical falsification of the forecast of Marx and Engels.

Mr. Robertson's definition of economics is as follows: "The science of the proximate causation of the distribution of wealth, and of its increased production, in the industrial-social State." His work deals primarily with economic dynamics and his emphasis is on increased production. Production, as used by the author, concerns utilities rather than the "wealth" of classical and neo-classical economics, for he defines wealth as "the aggregate of the desirable things and services that are sharable and are in demand."

The author's point of view is that of one seeking to better conditions in the world, chiefly through securing an increased production, which to him also means an increased consumption. The sum and substance of his book is found on page 285, where he says:

When there is a complete control of population, with no such net increase as compels emigration, the State can and will secure a more complete well-being for those whose toil sustains it. Given a substantially good system of education, with a sound fiscal system the twentieth century may well see before its close a much happier and more contented nation than now dwells in these islands.

His emphasis on the importance of restricted population is especially to be noted; and he says that "one thing is certain: There can be no good future for the human race without a continuance of that policy of limitation of births which we now see initially established in the teeth of irrational outcry and ignorant protest."

The various means of increasing production which he advocates constitute the framework of the volume. After a chapter on the Aim of Economic Science, which leads up to the definition already quoted, he discusses first the economics of education, pointing out the importance of this factor in connection with increased well-being. This chapter is followed by one on Economics of Labor, in which he stresses improvement in production, in his sense of that term; and advocates the fuller sharing of labor in its product. This latter is to be gained gradually by an increase in industrial management on the part of the state. Devices for decreasing unemployment, and old age pensions, appear to be the chief means of improvement which he advocates.

Chapter IV, on the Economics of Land, advocates various land reforms, such as the nationalization of mineral lands and taxation on unused lands. The single tax comes in for some very sharp criticism. This chapter is followed by one on Capital, which is chiefly taken up with problems of taxation. The author favors a tax on capital in addition to or in place of one on income.

State banking is an enterprise still to be tried, involving uncertainties. State industries in peace are also problematical, though seen to be expedient if they can be profitably conducted. But in applying taxation, under due limitations, to capital, the state is merely exercising in a new direction one of its special functions; and in paying off debt with the proceeds it will be turning nationally negative capital into positive and productive; while at the same time potentially lessening the amount of idle life.

In chapter VI, Commerce is dealt with; and some lusty blows are struck in the cause of free trade.

It is perhaps in chapters VII and VIII, which deal with the Economics of Population, that the writer is at his best. He comes out strongly in favor of neo-Malthusianism; and, as already indicated, makes restriction of population a cornerstone in his logic:

When it is announced that an agricultural laborer with fourteen children has a bad time of it, there are always zealous reformers who demand that he shall have proper housing accommodations. . . . Are the authorities to build houses with accommodation for laborers' families of sixteen? . . . That way madness lies. The philoprogenitive

parents must be told that they have no business to have families of fourteen, or ten or eight.

Certain adverse criticisms are called for. The author's shaky conception of the nature of capital is notable. He defines capital as "that portion of wealth and of credit, or command of wealth, used to obtain more command of wealth," thus adopting a private acquisitive conception which is inconsistent with his social philosophy. At the same time, he himself later distinguishes two kinds of capital: (1) capital yielding technically "unearned" income (land, houses, and scrip); and (2) capital fixed in productive undertakings. This distinction is clear evidence that the author has found the distinction made by most economists between "land" and capital to be an important one; and that his own definition of capital does not match with his social point of view. The author's individualistic-acquisitive interpretation of production is also inconsistent with his main body of thought. Other adverse criticisms are his questionable tax policy; his inadequate appreciation of the unused land problem (page 140); and his imperfect study of the history of tariff policy.

The strong features of the book are its statement of Malthusian theory and the principles of neo-Malthusianism; its strong defense of the Ricardian thought; and its convincing criticisms of the single tax theory.

LEWIS H. HANEY.

The Theory of Environment. By ARMIN HAJMAN KOLLER. (Menasha, Wis.: George Banta Publishing Company. 1918. \$1.)

It is primarily with the scientific implications concerning environment that Dr. Koller deals, yet throughout there is most fruitful suggestion bearing upon the whole range of those social and legal proposals which are now a part of all "reconstruction" views. Writers divide with every degree of emphasis on individualistic or collectivist lines. There is perhaps no more fundamental contention in the socialist approach than that of man's power to mould the milieu after his will. On the other side climate, geography, the whole *Umwelt* (to describe which the Germans have forty different words), are held to show how light in the balance is the fussy pretention of the reformer. The dispute is as old as human thought, and people will doubtless quarrel over it as long as diversities of temperament continue in the race. Attempts to secure social and labor legislation are troubled by the

same antagonisms. One insists that the external changes proposed by the bill in hand will be useless because they cannot affect character. Another is confident that character has no chance until the outward changes have taken place.

One learns among these social questions that nothing is so practical as a theory. One of our most conscientious "single taxers" refuses to help in tenement house reform, "because better homes for workingmen are useless under our present vicious tax system. Replace this chaos by the single tax and the evil of overcrowding and bad tenements passes away forever." The theory of Mr. George, strictly construed, makes this attitude consistent and unanswerable.

With far more intelligent qualifications, the "statesman-scholar" John Morley states the case.

In particular, I have long felt that the prevailing tendency to regard all the marked distinctions of human character as innate, and in the main indelible, and to ignore the irresistible proofs that by far the greater part of those differences, whether between individuals, races, or sexes, are such as not only might but naturally would be produced by differences in circumstances, is one of the chief hindrances to the rational treatment of great social questions and one of the greatest stumbling blocks to human development.

It is upon a reasoned and balanced view like this that social legislation and reform must justify itself.

What Dr. Koller does for us in this introductory study is to analyze with skill and singular detachment the opinions of a great variety of writers on this question. It is part first of what promises to be a most enlightening contribution. He says in his preface:

Setting about to inform myself on the history of the theory, I determined to obtain for myself, if possible, a tolerably complete idea, at least in its essentials, of the theory of milieu, to see where the theory led to, where it started from, what changes it has undergone, and what were its ramifications.

We are given first a history of the milieu down to the nineteenth century with a careful noting of the still more recent discussions. Then follow chapters on: Anthro-po-geography; Geography and history; More recent anthro-po-geographical treatises; Primitive peoples and environment; Society and physical milieu; Government, war, progress, and climate; Climate and man's characteristics; Man's intellect and physical environment; Religion and physical milieu; Climate and conduct; and Climactic control of food and drink.

"He fixed thee 'mid this dance
Of plastic circumstance"

are Browning lines for an opening text. How "plastic" is circumstances and how "fixed" are we in the dance? We shall await with real interest the completion of this work.

JOHN GRAHAM BROOKS.

NEW BOOKS

ADAMS, H. C. *Description of industry. An introduction to economics.* (New York: Holt. 1918. Pp. x, 270. \$1.25.)

The growing introduction of economics into the curricula of high, vocational, and other secondary schools necessitates suitable textbooks. College and university professors have found it difficult, when importuned by their former students who were called upon to teach the subject to younger pupils, to name a suitable book. To those of the high school age certain subjects may be taught quite fully while others become too difficult if carried beyond an elementary treatment. Reality, concreteness, freshness are most desirable; and it is unfortunately true that many who are compelled to teach the subject have had only very inadequate training themselves. Too many books prepared for this field have been mere abridgments of large treatises and the process of condensation has squeezed out what little juiciness the original may have had so that it has become the dryest of emergency rations which the teacher has not the wherewithal to freshen and make appetizing. It is still a moot question what topics should be taught in secondary schools, in what proportions and by what methods. If some economist, skilled and experienced in teaching, openminded and adjustable, would devote a few years to high school teaching of economics, his deductions and conclusions should be valuable to democratic citizenship, for it is desirable that the great numbers of citizens who vote upon economic policies should have at least an elementary knowledge of economic experience and principle. Professor Adams' little volume seems to the reviewer by far the best attempt yet made to meet the needs of secondary schools. There is little use of technical terms; the order of treatment varies from the customary in a pleasing way; the style is in the main fresh and interesting; and there is more attention paid to the legal framework of industrial society than is customary. "The essential and enduring principles of the science are fully recognized." Until more successful inductive methods have been developed, didactic teaching of economics must prevail and this volume is a most promising attempt to supply the need.

HERBERT E. MILLS.

AYRES, CLARENCE EDWIN. *The nature of the relationship between ethics and economics.* (Chicago: Univ. Chicago Press. 1918. Pp. 58.)

The central idea of this book is contained in the statement that "the problem of economics is to contribute its study of industrial society to the solution of the problem of living." The individualistic

conception of ethics has given place to social ethics, and as such its relationship to economics is necessarily close. The study is somewhat disappointing in that the real thesis is only suggested in the last few pages after a long discussion of economic and ethical theory.

G. L. ARNER.

BENJAMIN, E. B. *The larger liberalism. Outlines of a social philosophy for the United States of America.* (Cambridge, Mass.: University Press. 1918. Pp. vi, 199.)

That liberalism for at least a quarter of a century has been treading a steeper and thornier path is one of the commonplaces of publicists. That the war has left it apparently shattered and very helpless is no less obvious. Yet everywhere are the faithful who defend it and look forward to its revival.

The present rather slight study admits the embarrassment and failings of traditional politician liberalism but looks to its "larger" expression. The author finds both reformer and his suggested specifics very faulty, for life is "dominated by the two essential non-idealistic elements, struggle and scarcity. The consequences of this condition must be faced without flinching: we perceive reform to be possible; revolution, not improbable but impossible. The conclusions arrived at are that effective reform must aim at the elimination of anti-social struggle and at the overcoming of the fundamental scarcity."

If there is any other available wisdom to meet this difficulty, we may look for utopian results. "Some day there shall come to this earth such a race of men and women as we all dream of: kind, efficient, astute, beautiful in every case with the grace and dignity of well-meaning."

Two or three properly doctored Germans have written about an "intermediate sex." The name Urnings or Uranians has been given to this "Zwischen Ding." It may be unfair to class the author of *The Larger Liberalism* with these investigators. Yet when his super-race has been reached, "men will be men and yet part women; women will be women and yet part men. Maternity will be introduced into the state, the home and the workshop." The main body of the book contains some excellent material. In five chapters, (1) The Indictment of the Existing Order, (2) Suggested Remedial Orders, (3) A Critique of the Indictment, (4) Criticism of the Theories of Social Reform, (5) The Revolution at Hand, the author deals critically and sometimes acutely with his topic. The chapter on anarchism, socialism, syndicalism, guild socialism and the English labor program shows much careful study.

We are told in the introduction: "It is the fortune of the author, in contrast, to be a business man, one of the new generation of American employers. In his college days a keen student of distributive justice, the author has maintained an intense interest in the subject on leaving his university for the place awaiting him in industry. To the author, as to a growing number of other business men, his vocation has meant from the beginning something more than mere

money-getting—meant in fact something very much akin to a profession in the best sense of the term.”

JOHN GRAHAM BROOKS.

BENNION, M. *Citizenship. An introduction to social ethics.* (Yonkers, N. Y.: Wld. Bk. Co. 1917. Pp. xviii, 181. \$1.)

This book is designed for classes in social ethics in the last year of high school or the first year of college. It considers practically all important problems of citizenship—economic, political, educational, those of the family and of internationalism. Among its thirty-five chapters are: The Meaning of Civilization, The Nature of Justice, Our Literary Inheritance, The Conservation of Natural Resources. In chapters of about four small pages each are discussed Public Ownership or Regulation of Public Utilities, Principles of Taxation, Business Organizations, Social Institutions—Family, Church, State. The treatment is necessarily sketchy and *ex cathedra*. There are excellent and suggestive questions to accompany each chapter. That there is great need of instruction in problems of citizenship which shall not simply give information about political forms but provoke thought in relation to socio-ethical obligations is beyond question. In the hands of one who like the author is not only a skilled teacher but well trained in the social sciences, this book would serve as an excellent introduction. But there are few high school teachers who are prepared even with it as a guide to discuss at all intelligently these profoundest and ultimate problems of human relationship. No references or suggested readings are given although these would seem absolutely necessary to the use of the book both by teacher and pupil. Perhaps the best judgment of the book is that contained in Professor Snedden's introduction when he says that it is “both a favorable symptom and a promising augury,” and that it is necessarily a pioneering work of its kind and that long experience and exploration will be required before finished results can be expected.

HERBERT E. MILLS.

BROWN, H. G. *The theory of earned and unearned incomes. A study of the economic laws of distribution with some of their applications to social policy.* (Columbia, Mo.: Missouri Bk. Co. 1918. Pp. xi, 258.)

CHAPMAN, S. J. *Outlines of political economy.* Third edition, revised and enlarged. (New York: Longmans. 1917. Pp. xvi, 463. \$1.75.)

Although this third edition has involved a “resetting of the type,” it is substantially the same book as the first edition except for the brief sketch of the Development of Political Economy which seems to have been added to the second edition. Some ten pages discussing problems growing out of the war have been inserted. The unpleasant use of the first person has been notably decreased. Otherwise there seems no reason to modify the judgment passed upon this book on pages 323-325 of volume two of this REVIEW.

H. E. M.

CLAY, H. *Economics. An introduction for the general reader.*

American edition, revised by E. E. AGGER. (New York: Macmillan. 1918. Pp. xviii, 456. \$2.)

To be reviewed.

COOLEY, C. H. *Social process*. (New York: Scribners. 1918. Pp. vi, 430. \$2.)

To be reviewed.

FOLWELL, W. W. *Economic addresses*. University of Minnesota, current problems, no. 9. (Minneapolis: Univ. Minn. 1918. Pp. 99. 50c.)

Contains addresses on ethics of business, trusts, single tax, socialism true and false, and the new economics.

HAYES, E. C. *Introduction to the study of sociology*. (New York: Appleton. 1918. Pp. xviii, 717. \$2.50.)

HECHT, J. S. *A challenge to economists*. (London: King. 1918. Pp. 44.)

In this discussion of the theory of value it is contended that the basis of all value is the utility of necessities of life. Aside from basic "intrinsic value" there is an exchange value due to the desire for luxuries. The difference between intrinsic value and exchange value is the "demand value." The author argues for a protective tariff in order that the country may be able to produce commodities of high "intrinsic value."

G. L. A.

MACKENZIE, J. S. *Outlines of social philosophy*. No. 52 in the series of monographs by writers connected with the London School of Economics and Political Science. (London: Allen & Unwin. 1918. Pp. 280. 10s. 6d.)

O'HARA, F. *Introduction to economics*. (New York: Macmillan. 1916. Pp. vii, 259. \$1.)

This is an admirable introduction along traditional lines. It presents the fundamental principles in clear, concrete style. By confining his treatment to elementary theory almost entirely and by careful elimination of more advanced points, the author has been able to give essentials in a very moderate amount of space. The book is for a brief condensation unusually readable. The general point of view is conservative and Marshall, Taussig, Seager, and Seligman are the constant authorities. The questions at the end of each chapter are confined to the text and they, as well as the subject-matter, seem intended to secure in the student knowledge of economic principles rather than to encourage independent thinking.

HERBERT E. MILLS.

SMITH, W. S. *Economics, a textbook for the use of high schools, colleges and universities*. (Boston: Roxburgh Pub. Co. 1918. Pp. 213. \$1.50.)

WATT, L. *Elements of economics*. (London: Catholic Social Guild. 1918. Pp. 48. 3d.)

Economic History and Geography

Democracy after the War. By J. A. HOBSON. (London: George Allen and Unwin, Ltd. 1917. Pp. 215. 4s. 6d.)

It is becoming a common saying that in these days of world travail a social order that has been reared through generations of leisurely evolution is rapidly disintegrating under the irresistible pressure of competitive warfare. The old order not only changes; it disappears. While these are undoubtedly over-statements, it requires no virile imagination to appreciate that the war has wrought changes in our economic and social organization which are of profound significance. As throwing light upon this problem of a new industrial and social order, this volume on *Democracy After The War*, by one of the most versatile as well as most liberal of modern economists, has made an unusually timely appearance. With rare insight into the workings of social forces, Hobson portrays the nature of the struggle that must come after the war before real democracy can be achieved.

The book is divided into two parts: (1) The Enemies of Democracy and (2) The Defense of Democracy. Part I has the following chapter headings: Militarism and the Will to Power; Militarism and Capitalism; The Defense of Impropiety; Protectionism and Imperialism; Political and Intellectual Reactionists; and Spiritual and Social Reactionists. Part II, the following: How to Break the Vicious Circle; The New Economic Situation; Two Problems for Labor; The Conquest of the State; The Close State versus Internationalism.

In brief, the author argues that the forces of reaction will be more closely consolidated at the end of the war than ever before, and more conscious of their community interest. They will have at their disposal a large number of new legal instruments of coercion and the habits of obeying them derived from several years of use. All the educative and suggestive institutions, such as the church, schools, the press, and places of amusement, will be poisoned with false patriotism and class domination which masquerades as national unity. On the other hand, he sees that the war has generated a powerful fund of genuine democratic feeling. He feels that the contrast between the liberties for which people were fighting and the new restraints for peace will be at once disconcerting and instructive. He sees that economic and financial struggle will everywhere break up the artificial national unity of war time. He urges that the grave political cleavages that will

develop around the issues of reconstruction will set free large volumes of political energy for new political and economic experiments. Further, many of the old customs and sanctions so powerful in England will be broken down. "The raw material and energy for a great democratic movement will be at hand, provided that thought, organization, and direction can make them effective" (p. 212).

Hobson sees a "vicious circle" of recreation confronting democracy at the end of the war consisting of: the militarist bureaucracy who are now in control of affairs, church, school, and press, conservative landlords, capitalism, legalism, militarism, protectionism, and imperialism. To break this "vicious circle" he insists that no single panacea will suffice. The "apparently unrelated reactionary forces" are so unified that it is necessary to develop a coördination in the forces of democracy:

If we can show the keen land reformer that he cannot in fact gain his object except by throwing his energies into the broad movement to recover and enlarge the liberties of the people; if we can make the educationalist, the temperance man, the "social purist," the hygienist, the franchise leaguer and the other specialists recognize that they also can only make progress to their desired goal by perceiving and feeling its organic unity with the general cause of democracy, we shall for the first time begin to realize that hitherto baffling hope which has deluded several generations of democrats, the power of numbers. . . . If the experiences of this war have not revealed . . . the necessity of expelling from all specialist progressive movements those elements which are unable to take the wider outlook and to respond to the larger intellectual appeal, we can only conclude that our people are incapable and therefore unworthy of democracy. . . . Our hope lies in the conviction that the fierce light of war and its glowing aftermath will show men that, unless an ordered popular will can flood all the main channels of national life, intelligently controlling all the major organs of government and influence, State, economic system, church, press, schools and universities, and the creative and relief adjuncts, there is and can be no security for anything that ordinary men and women value in life (pp. 158-161).

To accomplish their ends it will be necessary, in the author's view, for democracy to make a conquest of the state. He sees in the disposition of some labor elements "to give the go-by to the state, as a capitalist instrument, and to fall back upon new plans of coöperation, trade-unionism, syndicalism or guild Socialism" a dangerous fantasy.

While Hobson is a staunch believer in political and industrial democracy he underestimates neither the difficulties of its attain-

ment nor the tremendous problems involved in its successful administration. For instance, he warns the English proletariat that any effort to limit productivity can spell only disaster. This does not necessarily involve any painful or injurious intensification of toil; it may be accomplished by improved organization of labor and of industrial management generally. In no other way can the masses hope for a permanently improved standard of living. Statistics are presented which show that the pre-war income of England if equally distributed would not suffice to give the average family "the full requirements of a civilized modern life" (p. 173). Hobson argues that owing to the great destruction of capital during the war the national income after the war will be lower than ever.

In the reviewer's opinion *Democracy After The War* may be compared not unfavorably with Veblen's *The Nature of Peace*. It shows quite as keen an insight into human nature and social processes; and it is broader in its scope, containing much more in the way of constructive suggestion. The book deserves the widest reading in this country from the standpoint of its cultural value as well as its application to the problems of economic and social reconstruction which now confront the American democracy.

H. G. MOULTON.

University of Chicago.

Economic and Social History of Chowan County, North Carolina, 1880-1915. By W. SCOTT BOYCE. Columbia University Studies in History, Economics, and Public Law, Vol. LXXVI, No. 1; Whole No. 179. (New York: Longmans, Green and Company. 1917. Pp. 293. \$2.50.)

Chowan County was one of the original precincts of the Lords Proprietors, but was settled prior to the granting of the charter of 1663. Its county seat and only town is Edenton, one of the oldest communities in North Carolina, and one which has contributed a body of men of eminence in state and nation out of all proportion to its population. For more than a century it was not only the center of the political and intellectual life of that section of North Carolina, but was also its most important town, having only in later years been distanced by Elizabeth City. Since 1800 the county has had a negro majority and its whole history has been greatly influenced thereby. The chief occupation is and has always been agriculture. Fishing comes next with lum-

bering and manufacturing well down the scale of relative importance. In all respects it is a fairly typical county of the section of the state in which it lies.

This sizable monograph is by a native of Chowan County and is in part based upon his own experience and observation. It is divided into four parts. The first consists of two chapters dealing with the physical characteristics and the population of the county. The second part, called *Development of Economic Life*, contains eleven comparative chapters on agriculture, fishing, manufacturing, lumbering, transportation, and labor and wages in the eighties and in 1915. The third part, called *Development of Social Life*, contains eight similar comparative chapters on education, social customs, the churches, sanitation and hygiene, and necessities and comforts. The fourth part is devoted to *Conclusions*. An appendix contains twenty-four tables, compiled in part from census reports and in part from the author's own calculations, which are used as a basis for much of the discussion in the body of the work.

The chief value of the book lies in its preservation of knowledge of many habits and customs of the people which are now disappearing, and in the material contained in the chapters on fishing, lumbering, communication and transportation, and wages and labor. As a complete study of the scope indicated in the title the book is distinctly disappointing as to form, content, method, and tone. It may well be questioned if the social and economic history of one small county for a period of thirty-five years is a suitable subject for so extended a study, but even if an affirmative answer be given, the volume under discussion is scarcely justified. It is not a social and economic history of Chowan County for the period named, but is rather a rough contrast of conditions at the beginning and end of the period, containing a great amount of material bearing upon the questions under discussion, some of it of value, but a large part of it of small importance. Much of it is inaccurate as well. The thesis of the work, if it may be said to have any, is that conditions were hopelessly bad at the beginning of the period, that they are very bad today, but that some improvement may be noticed along nearly all economic and social lines.

Conditions in 1880 are painted as very dark—in many respects darker than they really were—and there is no convincing interpretation of the causes. In spite of an elaborate argument to prove

that the year 1880 was a normal one, with an implication that benefit had already come from the Civil War, any one who is familiar with conditions at that time knows that, however much the state was ultimately to profit from the abolition of slavery, there was still widespread depression which touched all classes of the people and all activities of life. There is little if any appreciation of the influence of a negro majority, potent as that influence has been and clearly as it appears in his recital.

Throughout there is a marked tendency to sweeping generalizations. For example, only in rare instances is any distinction made between black and white, and while a majority of the population is colored, it nevertheless remains a fact that whatever may be the value as a statistical study of a work which fails to make a clear distinction between the races, it is certainly of small value as history. In the same way, Edenton, with from 23 to 30 per cent of the population of the county, is rarely excepted from statements which cannot possibly apply when it is included. In the chapter on agriculture the author displays an apparent ignorance of the fact that the county contains some very rich lands and that for generations it has had a group of farmers known all over eastern North Carolina for their skill, progressiveness, and success. An example of the absurdities which are frequent is seen in the statement (p. 158) that the principal light in the homes of the county during the eighties was furnished by lightwood knots! It is impossible in limited space to enumerate the examples of such errors.

The tone of the book is highly critical, as much so as the method is uncritical, and in many places it is sneering. Particularly do the religious beliefs and practices fall under the ban of an assured condemnation. The tone is so prevalent that one cannot read the chapters on manufacturing in the eighties and in 1915, in the former of which the author shows the capacity for self-maintenance of the people in a bitterly trying time and closes with a poor and labored imitation of Helper's famous epitome of Southern economic dependence, without feeling that in the writer's opinion such self-support was little short of a crime. The sneering tone is emphasized by constant employment of slang which makes a most unpleasant impression upon the reader.

J. G. DE ROULHAC HAMILTON.

University of North Carolina.

NEW BOOKS

AMBRAVANSWAR, S. *Progress and problems of industrial India.* (Trichnopoly: Brahmanand Press. 1918. Pp. 30.)

BALKRISHNA. *Industrial decline in India.* (Allahabad: Star Press. 1917. Pp. 408. Rs. 2-8.)

BISHOP, A. L. and KELLER, A. G. *Industry and trade; historical and descriptive account of their development in the United States.* (Boston: Ginn. 1918. Pp. 426. \$1.32.)

BISHOP, J. B. *A chronicle of one hundred and fifty years: the Chamber of Commerce of the State of New York, 1768-1918.* (New York: Scribners. 1918. Pp. xviii, 311. \$5.)

The Chamber of Commerce of the State of New York, "the oldest institution of its kind in the world," has fittingly celebrated its sesquicentennial anniversary by publishing a history of its chief activities with a note of the men who have been identified with it. The record is an honorable one, for in its long career, the chamber has been connected with most of the movements which have characterized the nation's history. Founded in the stirring year of 1768 it early assumed an attitude in opposition to British taxation. It is interesting to note also that even at this early period it took steps as well in the interest of sound money and of pure food.

After the Revolution, during which control over the organization had fallen into the hands of loyalist members, the chamber was reorganized. During the next thirty years the members on the whole favored free trade, but by 1840 the swing to protection was quite as pronounced. The members took an active interest in public affairs, approving of the Erie railroad and other internal improvements. When the Civil War broke out the chamber was prompt to act in support of the government and the national credit, although it favored the issue of legal tender notes. Later its members took a leading part in the defeat of the Tweed ring, in the construction of subways, and in other local matters.

The list of officers and of members is a roster of names of those prominent in the leading movements for improvement and progress not only in local affairs but also in national questions. The writer of the "chronicle" has been able to weave together out of the minutes of the chamber a narrative of interest. But, more important, the narrative shows that business men have been on the right side of almost all the great problems which have presented themselves for solution in the past one hundred and fifty years.

E. L. BOGART.

BRADLEY, H. *The enclosures in England. An economic reconstruction.* Columbia University studies in political science, vol. XXX, no. 2. (New York: Longmans. 1918. Pp. 122. \$1.25.)

BRIGHAM, A. P. *Commercial geography.* Revised edition with questions. (Boston: Ginn. 1918. Pp. xv, 489.)

BROOKS, A. A. *Index to the bulletin of the American Geographical*

Society, 1852-1915. (New York: American Geog. Soc., Broadway and 156th St. 1918. Pp. 142.)

Contains many titles of particular interest to the student of economic history. Numerous articles are listed on population, railways, and canals.

BROWNE, B. C. *Selected papers on social and economic questions.* (Cambridge, Eng.: University Press. 1918. Pp. xvii, 287.)

Contains thirty-two papers written by Sir Benjamin Chapman Browne at various times between 1886 and 1917. Among them are: The engineering dispute (1898); three articles on the workmen's compensation act (1905); The state of trade (1907); Copartnership and unemployment (1908); Industrial peace (1911); and Ownership of capital (1913).

CLARK, J. M., HAMILTON, W. H., and MOULTON, H. G. *Readings in the economics of war.* (Chicago: Univ. Chicago Press. 1918. Pp. xxxi, 676. \$3.)

A useful series of readings listed under the following general headings: (1) Economic background of war; (2) War as a business venture; (3) The nature of modern war; (4) Resources of the belligerents; (5) The problem of industrial mobilization; (6) Obstacles to rapid mobilization in liberal countries; (7) War-time regulation of trade and industry; (8) Food and fuel; (9) Transportation; (10) War finance; (11) Prices and price control; (12) Labor and the war; (13) The costs of the war; (14) War's lessons in the principles of national efficiency; (15) Economic factors in an enduring peace; and (16) After-the-war problems. The authors have been hospitable to varying points of view and the editorial notes are helpful.

COOPER, C. S. *Understanding South America.* (New York: Doran. 1918. \$2.)

DUNLAP, W. *A history of the rise and progress of the arts of design in the United States.* New edition, edited by F. W. BAYLEY and C. E. GOODSPEED. (Boston: Goodspeed Co. 1918. \$15.)

ELY, R. T. *The world war and leadership in a democracy.* Citizens library of economics, politics, and sociology. (New York: Macmillan. 1918. Pp. 189. \$1.)

FRIEDMAN, F. M., editor. *American problems of reconstruction. A national symposium on the economic and financial aspects.* (New York: Dutton. 1918. Pp. xxvi, 471. \$4.)

This is a collection of brief papers under the general headings: A perspective of the problem; Efficiency in production; Adjustments in trade and finance; and Programs, monetary and fiscal. Among the papers to be especially noted are: Our mineral reserves, by G. O. Smith (pp. 59-87); Capital, labor and the states, by L. B. Wehle (pp. 153-176); Concentration and control in industry and trade, by W. B. Colver (pp. 177-195); The free port as an instrument of world trade, by E. J. Clapp (pp. 245-266); Government aids to

trade, by C. D. Snow (pp. 279-303); Stabilizing foreign exchange, by R. L. Owen (pp. 321-343); Stabilizing the dollar in purchasing power, by I. Fisher (pp. 361-390); The war and interest rates, by E. W. Kemmerer (pp. 391-414); Fiscal reconstruction, by E. R. A. Seligman (pp. 427-446).

JEUDWINE, J. W. *The foundation of society and the land. A review of the social systems of the Middle Ages in Britain, their growth and their decay, with special reference to land user, supplemented by some observations on the connection with modern conditions.* (London: Williams & Norgate. 1918. 18s.)

HACKETT, F. *Ireland. A study in nationalism.* (New York: Huebsch. 1918. Pp. 404. \$2.)

HOBSON, J. A. *The evolution of modern capitalism. A study of a machine production.* Contemporary science series. New edition. (New York: Scribners. 1917. Pp. xvi, 488.)

The only change in this new edition as compared with that of 1906 is a new chapter of forty pages divided into two parts. The first of these supplements the treatment in the previous edition by brief summaries of tendencies between 1906 and the opening of the war, such as the continued growth of large joint-stock enterprises, the establishment in certain industries of a representative or dominant size and structure of business unit, new developments of combination, changes in the distribution of workers among industries, increase of women wage-earners, growth of internationalism in trade and finance; and the rise of prices. The second part, the point of view of August, 1916, deals with "some of the new economic facts and forces revealed by the experiences of the war." The topics considered are the revelation of reserve productivity in war time; the problem of business reconstruction which seems necessary because of defects made apparent during the war; the future attitude of the state toward "key industries" such as railways, mining, ship-building, munitions; the inevitable extension of state regulation of wages, unemployment, banking and credit, agriculture; the series of fiscal policies growing out of war debts. But all governmental economic policies will depend upon political policies. "The only escape from the costs and perils of economic nationalism" which endangers world progress and threatens renewed warfare is a "fuller measure of economic internationalism secured by improved political arrangements between the Powers."

HERBERT E. MILLS.

LEUPP, F. E. *George Westinghouse: his life and achievements.* (Boston: Little, Brown. 1918. \$3.)

LEROUX, A. *La colonie germanique de Bordeaux: étude historique, juridique, statistique, économique.* (Bordeaux: Feret. 1918. Pp. xii, 263.)

LOURIÉ, O. *La russie en 1914-1917.* (Paris: Alcan. 1918. Pp. 55. 4 fr.)

MACFARLANE, C. W. *The economic basis of an enduring peace.* (Philadelphia: Jacobs. 1918. Pp. 80. \$1.)

Discusses the distribution of supply of coal and iron in western Europe and more particularly the relationship of the deposits in Lorraine and France with reference to the peace settlement. The author summarizes the policy of exploitation which Germany has followed. Contains useful maps and statistics.

MASTERMAN, C. and others. *Problems of reconstruction: a symposium.* (London: Allen & Unwin. 1918. 8s. 6d.)

NIMS, M. R. *Women in the war. A bibliography.* (Washington: Women's Committee, Council of National Defense. 1918. Pp. 77.)

OUALID, W. *The special problems of reconstruction in France.* (Rome: Athenaeum. 1918. Pp. 4.)

PUTNAM, J. W. *The Illinois and Michigan canal: a study in economic history.* Chicago Historical Society collection, vol. X. Illinois Centennial publication. (Chicago: Univ. Chicago Press. 1918. Pp. xiii, 213. \$2.)

RAFFALOVICH, A. *Russia: its trade and commerce.* (London: King. 1918. 12s. 6d.)

RATCLIFFE, S. K. and TEAD, O. *British industrial reconstruction programs; their substance, purposes and application to American conditions.* (New York: Holt. 1918.)

RONZE, R. *La question d'Afrique. Etude sur les rapports de l'Europe et de l'Afrique depuis les origines jusqu'à la grande guerre de 1914.* (Paris: Alcan. Pp. xi, 391. 7.70 fr.)

RUPPIN, A. *Syria: an economic survey.* (New York: Provisional Zionist Committee. 1918. Pp. 92. 75c.)

RUSSELL, C. E. *Unchained Russia.* (New York: Appleton. 1918. Pp. 323. \$1.50.)

SNIDER, L. C. *Geography of Oklahoma.* (Norman, Okla.: Oklahoma Geological Survey. 1918. Pp. 325. \$1.50.)

VERRILL, A. H. *Getting together with Latin America.* (New York: Dutton. 1918. \$1.50.)

VILLIERS, B. *Britain after the peace.* (New York: Dutton. 1918. \$2.50.)

WHITE, B. *The book of Daniel Drew.* (New York: Doran. 1918. \$1.50.)

WOOD, C. W. *The great change.* (New York: Boni and Liveright. 1918. Pp. 214. \$1.50.)

Interviews with men who have been driving the country's war machine form the basis of the chapters of this book. Charles M. Schwab, Bernard Baruch, and F. P. Walsh are quoted, and an attempt is made to analyze the sweeping economic and social changes made necessary by war conditions. Cheerful coöperation of labor

and capital has been secured, workers have been sent where they were needed, new industrial recruits have been trained, and more human working conditions have been provided. To obtain maximum production at maximum speed, competition has been eliminated, distribution simplified, and patterns standardized. Production for the common good, not for profit, has been behind the "win-the-war" slogan. A transition from the age of capitalism to the age of industrial democracy has been inaugurated. Democracy, according to the author, is not releasing people's opinions for unlimited debate, but releasing all their energies for creative work. Political changes exemplified by the waning power of Congress have accompanied the industrial ones. The reader is left to ponder these questions: Will the spirit of coöperation aroused during the first months of 1918, long endure? Have we as a nation, intelligence enough to perfect this system of production for the common good, instead of reverting to the old conditions?

Laura Perry Arner.

The effect of the war on business conditions, with particular reference to post-war production and markets. (New York: Blackman-Ross Co. 1918. Pp. 81.)

The eighteenth financial and economic annual of Japan. (New York: Akiva Den, Japanese Financial Commissioner, Woolworth Bldg. 1918. Pp. 198.)

Reconstruction after the war. Journal of the Institute of Social Sciences, vol. IV. (Boston: Faxon. 1918.)

Agriculture, Mining, Forestry, and Fisheries

NEW BOOKS

BOERKER, R. H. D. *Our national forests.* (New York: Macmillan. 1918. Pp. 238. \$2.50.)

BONE, W. A. *Coal and its scientific uses.* (New York: Longmans. 1918. Pp. 491. \$7.)

DIXON, H. M. and DRAKE, J. A. *A study of farm management problems in Lenawee county, Michigan.* Dept. bull. 694. (Washington: Dept. Agriculture. 1918. Pp. 36. 10c.)

EARNSHAW-COOPER, W. *The land industry.* (London: Central Committee for National Patriotic Organizations, 62 Charing Cross. 1918. Pp. 52.)

GILBERT, C. G. and POGUE, J. E. *Power. Its significance and needs.* Smithsonian Institution, bull. 102, pt. 5. (Washington: Supt. Docs. 1918. Pp. 53.)

JACKSON, T. C. *The agricultural holdings acts, 1908-1914.* Third edition, enlarged. (London: Sweet & Maxwell. 1917. Pp. xvi, 356.)

PROTHERO, R. E. *English farming, past and present.* Second edition. (New York: Longmans. 1918. \$2.50.)

- PULLING, A., editor. *Food control manual revised to April 30, 1918, comprising the food controller's powers and orders, etc.* (London: Wyman. 1918. Pp. 615. 5s.)
- RADFORD, G. *Our daily bread.* (London: Constable. 1918. Pp. 127. 4s. 6d.)
- RAM, G. *The agricultural problems of India.* (Simla: Manzur Ali, at the Army Press. 1917. Pp. iv, 155.)
- REMY, H. *La question des sucres et le ravitaillement de la France pendant la période 1914 à 1917.* (Paris: Sirey. 1918.)
- ROUSH, G. A. *The mineral industry.* Vol. XXVI. (New York: McGraw-Hill. 1918. Pp. 900. \$10.)
- SMITH, G. O. *The economic limits to domestic independence in minerals.* Mineral resources of U. S., 1917, pt. I. (Washington: Supt. Docs. 1918.)
- SWEM, E. G. *A contribution to the bibliography of agriculture in Virginia.* (Richmond: State Library. 1918. Pp. 35.)
- TANIMURA, I. *Livestock economics.* (Shiba, Tokyo: Oriental Prtg. Co. 1917.)
- THOMPSON, J. W. *California mining statutes annotated. Including all California mining laws.* U. S. Bureau of Mines, bull. 161, law serial 13. (Washington: Supt. Docs. 1918. Pp. 312. 20c.)
- WIDTSOE, J. A., editor. *Western agriculture.* (St. Paul, Minn.: Webb Pub. Co. 1918. Pp. 464. \$1.)
- WYER, S. S. *Natural gas: its production, service, and conservation. The mineral industries of the United States.* Smithsonian Institution, U. S. National Museum, bull. 102, pt. 7. (Washington: Supt. Docs. 1918. Pp. 70.)
- Agricultural policy of sub-committee of the reconstruction committee. Report (9079). Summaries of evidence, with index (9080).* (London: Wyman. 1918. 1s. 3d. each.)
- Farm allotments and farm laborers' allotments in the Durham state land settlement located at Durham, Butte county, Cal.* (Sacramento: State Land Settlement Board. 1918. Pp. 10.)
- Northwest mines handbook; a reference book of the mining industry of Idaho, Washington, British Columbia, western Montana, and Oregon.* Vol. 1. (Spokane, Wash.: Northwest Mining Association. 1918. Pp. 366.)
- Petroleum, asphalt and natural gas.* (Kansas City, Mo.: Kansas City Testing Laboratory. 1918. Pp. 248. \$2.)

Manufacturing Industries

NEW BOOKS

- GUTHRIE, E. S. *The book of butter; a text on the nature, manufacture and marketing of the product.* (New York: Macmillan. 1918. Pp. 270. \$1.75.)

- KELLY, R. W. and ALLEN, F. J. *The shipbuilding industry.* (Boston.: Houghton Mifflin. 1918. \$3.)
- LLOYD, S. L. *Mining and manufacture of fertilizing materials and their relation to soils.* (New York: Van Nostrand. 1918. Pp. 153. \$2.)
- MANLOVE, G. H. *Scrap metals, study of iron and steel old material, its preparation and markets.* (Cleveland, O.: Penton Pub. Co. 1918. Pp. 278. \$2.)
- PILCHER, R. B. and BUTLER-JONES, F. *What industry owes to chemical science.* (New York: Van Nostrand. 1918. Pp. 164. \$1.50.)
- SMITH, E. A. *The zinc industry.* Monographs on industrial chemistry. (New York: Longmans. 1918. Pp. 223. \$3.50.)

Transportation and Communication

- The Atlantic Port Differentials.* By JOHN B. DAISH. (Washington: W. H. Lowdermilk. 1918. Pp. xix, 524.)
- Ports and Terminal Facilities.* By ROY S. MACELWEE. (New York: McGraw-Hill Book Co. 1918. Pp. ix, 315. \$3.00.)

Atlantic Port Differentials is a compilation of important reports and official documents on the adjustment of freight rates between the interior and the North Atlantic ports. The author states that he has not been unmindful of the fact that on several occasions he represented as attorney one of the ports vitally interested in the subject of Atlantic port differentials and on other occasions interests subject to freight rates based on differentials; that he had reason, therefore, to avoid the insertion in this work of his personal views or of any biased excerpts from documents; that such a method necessitated the printing of documents in full "except where matter occurs wholly irrelevant to the subject."

The volume contains five important early documents as follows: (1) *The Differential Rate Agreement of April 5, 1877*, entered into by the New York Central and Hudson River Railroad, the Erie, the Pennsylvania, and the Baltimore and Ohio Railroad; (2) the *Report Upon the Adjustment of Railroad Transportation Rates to the Seaboard*, by Albert Fink, 1881; (3) *The Preamble and Resolutions of Trunk Lines Executive Committee*, appointing the Thurman-Washburne-Cooley Commission, January, 1882; (4) the *Report of the Thurman-Washburne-Cooley Commission*, July, 1882; (5) part of the *First Annual Report of the Internal Commerce of the United States* (in the appendix), by Joseph Nimmo, Jr. There are included in the compilation fourteen decisions of the Interstate Commerce Commission. These

decisions and supplemental decisions cover the period from 1887 to 1913. (One of the cases is incorrectly given in the text, page 233, as having been decided in 1889 instead of 1899). A memorandum of the auditor of the Interstate Commerce Commission of May 12, 1904 gives *Differential Rates to and from North Atlantic Ports*. A statement issued by the Interstate Commerce Commission in January, 1915 (in appendix), following its report on the supplemental hearing in the five per cent cases, gives the *Inter and Intra-territorial Bases of Rates in Official Classification and New England Territories*. There is a brief introduction by the author, a table of cases reported and cited, and a good index. The introduction leaves much to be desired. In view of this fact, the volume would have been improved if Nimmo's report had been given at the beginning of the volume instead of in the appendix.

The author has performed a valuable service in bringing together the cases bearing upon a subject which is destined to play an important rôle in future rate adjustments. Two months after he had written the foreword to this volume the Interstate Commerce Commission again raised the subject of Atlantic port differentials, in the important New York Harbor case (47 I. C. C. 643).

There are three outstanding features in MacElwee's *Ports and Terminal Facilities*. First, the physical features and problems connected with ports and terminal facilities are discussed in chapters II, and VIII to XIV inclusive. Chapter II treats of the general importance and physical characteristics of the world's important ports. Maps are given representing the proper layout for a port. Chapters VIII to XIV inclusive are concerned with piers, wharves, quays, wharf equipment, cargo and transfer handling, shed equipment, the warehouse and mechanical devices in the handling of both bulk cargo and standard package or specialized freight. Criticism is made of piers and wharves as they are found in many ports and suggestions are made as to possible improvements in their construction. The author maintains that the pier construction at Philadelphia is much superior to that of New York. He states that the collapse of American ports has been due, in large measure, to inadequate storage and warehouse facilities. Not enough traffic is absorbed to eliminate the evils which come from the irregularity with which traffic arrives at a port. It is shown that storage sheds so constructed as to give room for

handling demurrage freight and to care temporarily for freight intended for storage are necessary concomitants to any adequate warehouse system. Emphasis is rightly placed upon having vessels provided with mechanical appliances to coördinate with shore equipment in the expeditious and economical handling of cargo. It was pointed out in the Cresson report to the dock commissioner of New York harbor in 1913 that the question of economical handling of cargo has not received the attention it deserves.

A second feature of the volume is the discussion of some of the problems which are involved in a properly unified port and in a proper coördination of rail and water carriers. Chapter III is concerned with the general characteristics of a well coördinated port; chapters V, VI, and VII with the harbor belt-line railway and competition at the terminals including lighterage and drayage; chapter XVI with the industrial harbor and upland development; chapter IV with port competition for rail and maritime freight; chapter XV with inland waterways and the seaport. The time is opportune for the emphasis which the author gives to the need of a proper coördination of port facilities. He indicates that although New York is far from ideal as a port it has grown because of the freedom with which traffic can be moved from railroads to warehouses and piers or vice versa, being accomplished by lighterage. Where lighterage is not possible this coördination must be made by a belt-line railway which the author shows has not been properly worked out in our important ports and terminals. Private ownership and competition are correctly held to be responsible for much of the lack of coördination in terminal facilities. The lack of coördination in the use of the belt-line principle is shown to be the cause for much unnecessary drayage and congestion in city streets. Much could be gained by unification of all port facilities including the cartage of freight. The plan of coördination proposed includes a recognition of the industrial and commercial functions of a port. The significance of these functions was indicated in a report of the Bureau of Corporations on *Water Terminals* in 1910. It is pointed out in *Ports and Terminal Facilities* that in America there has been little appreciation of this fundamental feature of port organization and it is urged that we pattern after European ports along this line. It is contended that the proper coördination of the industrial and commercial functions of a port has an important influence upon the

primary and secondary industries which will develop at a port and that these in turn, through the load factor, are significant in the competition of ports for both rail and marine freight; that those ports will be sought which are most likely to provide a full cargo in both directions. The author sees a bright future for inland waterways partly because he believes railroads will not oppose their development as they did when railways were in excess of the needs of the country and there was fierce competition for traffic.

The third feature of the book (chapters XVII and XVIII) is a discussion of the free port as an institution and the process by which the free ports of Hamburg and Bremen were created. In the discussion of the free port, it is shown that our bonded warehouse is the same in principle as the free port, but without the advantages which the organization of a free port would bring. Among these advantages it is claimed that the free port would enable us to compete with the rest of the world in ship building, and would provide a world market for our war-stimulated industries with the return of peace.

Much valuable information has been brought together in this volume, but as analysis of its contents indicates, it has not been well coördinated; nor has a satisfactory treatment of many port and terminal problems been possible within the compass of the present volume. The author himself appreciates this. He states in his preface that a call to national service made it necessary for him to prepare "for the printer in weeks where months were considered too little" (p. viii), and he promises that many important problems of ports and terminal facilities, not included in the present work, will be treated in a possible second volume. The study is a significant contribution and it has become available at a time when it will be of distinct service.

C. O. RUGGLES.

Ohio State University.

NEW BOOKS

BRADLEE, F. B. C. *Boston and Lowell railroad, the Nashua and Lowell railroad, and the Salem and Lowell railroad.* (Salem, Mass.: Essex Institute. 1918. Pp. 64. \$2.)

HAINES, H. S. *Efficient railway operation.* (New York: Macmillan. 1918.)

RICHEY, A. S. *Traffic operation. Springfield Street Railway Company, Springfield, Mass.* (Worcester, Mass.: The author. 1917. Pp. 117.)

THOMPSON, S. *Railway statistics of the United States of America for the year ended December 31, 1917, compared with the official reports for 1916 and recent statistics of foreign railroads. Fifteenth year.* (Chicago: Bureau of Railway News and Statistics. 1918. Pp. 128.)

Eighth annual report of the statistics of express companies in the United States for the year ended December 31, 1917. (Washington: Interstate Commerce Commission, Bureau of Statistics, Division of Publication. 1918. Pp. 21.)

Le porte de Cette. (Lyon: Imprimerie A. Rey, 4 rue Gentil. 1918. Pp. 78.)

Trade, Commerce, and Commercial Crises

NEW BOOKS

BENN, F. J. P. *Trade parliaments and their work.* (London: Misl & Co., 22 Bernes St. 1918.)

CHADWICK, D. T. and BLACK, G. W. *Report on Indo-Russian trade.* (Simla: The authors. 1918.)

CULBERTSON, W. S. *Commercial policy in wartime and after.* (New York: Appleton. 1918.)

GUYOT, Y. and others. *Le libre échange international. Six conférences organisées en 1918 par la Ligue du Libre-Echange à l'Ecole des Hautes-Etudes Sociales.* (Paris: Alcan. 1918. 2.20 fr.)

HAUSER, H. *Germany's commercial grip on the world. Her business methods explained.* Translated from the third French edition by MANFRED EMANUEL. (New York: Scribners. 1917. Pp. xv, 259. \$1.50.)

It is with distinct pleasure that the writer has read this work upon Germany's business methods by a French university professor. The evident familiarity with the subjects of which he treats, the references to authorities (even though frequently secondary), the general soberness of tone in spite of occasional exaggeration, constitute a striking contrast to much that has appeared on German business methods, both before and since the opening of the war.

After a sketch of Germany's development and a chapter upon the necessity for expansion, M. Hauser examines the principal factors of the expansion under four headings: Banks and Credit; Cartels and Dumping; Means of Transportation; and the Role of the State. Under Banks and Credit is emphasized in particular the medley of functions of German banks, the participation of banks in trade and industry, and their active encouragement of foreign trade through the establishment of foreign agencies, foreign branches and connections, and through foreign investment. In dealing with cartels the author's opinion seems to be borne out by facts. Unlike a number who have written upon the subject, he seems to appreciate the fact

that the consistent policy of dumping practiced by certain cartels is made possible only by higher than normal prices secured for goods sold upon the domestic market. With regard to transportation, the exceptional railways tariffs and the part played by waterways come in for considerable attention. Further, the indirect subsidy paid to the mercantile marine by these tariffs and by protected immigration is exposed. In discussing the state, the attitude of the government toward cartels and the blending of imperialist policies and aspirations with commerce are clearly shown.

Part three of the book, entitled *The Conquest of Markets*, describes the systematic study of markets and the technique of foreign trade by those having to do with export trade; commercial penetration of foreign markets through commercial travelers, export houses, and various media of publicity; finally, industrial penetration through the investment of capital, the creation of reciprocal demand and the establishment of factors and German industries in foreign lands.

Without indiscriminately praising German methods, M. Hauser points out the lessons which may be learned from Germany, both as to features that deserve imitation and features that should not be copied. Asserting that "to boycott Germany is a dream," he urges greater coöperation among business men and among nations in order that France and other countries may secure the desired commercial development.

HARRY R. TOSDAL.

HUBERICH, C. H. *The law relating to trade with the enemy together with a consideration of the civil rights and disabilities of alien enemies and of the effect of war on contracts with alien enemies.* (New York: Baker, Voorhis & Co. 1918. Pp. xxxii, 485.)

HUEBNER, G. G. *Agricultural commerce.* (New York: Appleton. 1918. \$2.40.)

HUXLEY, L. *Commercial policy in war time and after.* (New York: Appleton. 1918.)

KOEBEL, W. H. *South America: an industrial and commercial field.* (London: Unwin. 1918. 18s.)

VAN PESKI, V. and NYTTENBOGAART, D. L. *Le marché des céréales de Rotterdam.* (Rome: Inst. Intern. Agr. Pp. 83.)

POTTS, R. C. *Marketing practices of Wisconsin and Minnesota creameries.* Dept. bull. 690. (Washington: Dept. Agr. 1918. Pp. 15. 5c.)

PULSFORD, E. *Commerce and the empire, 1914 and after.* (London: King. 1917. Pp. x, 248. 7s. 6d.)

RAFFALOVICH, A., editor. *Russia: its trade and commerce.* (London: King. 1918. 12s. 6d.)

SAUNDERS, E. *A self-supporting empire.* (London: Nisbet & Co. 1918. Pp. 203. 3s. 6d.)

VEDDER, G. C. *American methods in foreign trade.* (New York: McGraw-Hill. 1918. Pp. 200. \$2.)
To be reviewed.

WEBSTER, W. C. *A general history of commerce.* (Boston: Ginn. 1918. Pp. 453.)

Economy in retail service. Experience of stores in which readjustments to war conditions have been made. (Washington: Council National Defense. 1918.)

Foreign trade thought of 1918. Excerpts from addresses delivered at the fifth national foreign trade convention. (New York: Irving National Bank. 1918. Pp. 75.)

Official report of the fifth national foreign trade convention, held in April, 1918. (New York: National Foreign Trade Convention Headquarters. 1918. Pp. xxx, 667.)

Retail selling. Commercial education series no. 1. (Washington: Federal Board for Vocational Education. 1918. Pp. 93.)

The traffic library. Express and parcel post services. (Chicago: Am. Commerce Assoc. 1918. Pp. xvi, 625.)

United States food administration laws and rulings. (Chicago: Commerce Clearing House. 1918. Pp. 251.)

Accounting, Business Methods, Investments, and the Exchanges

Valuation and Rate-Making. The Conflicting Theories of the Wisconsin Railroad Commission, 1905-1907. By ROBERT L. HALE. Columbia University Studies in Political Science, Vol. LXXX, No. 1. (New York: Longmans, Green and Company. 1918. Pp. 156. \$1.50.)

It is difficult to determine whether the author of this book intended to confine his discussion to the conflicting valuation theories of the Wisconsin Railroad Commission or whether his purpose was to convey a "revised" principle of utility valuation. The subject-matter discussed covers within its scope such wide and confused problems that the book resembles a legal commentary on utility valuations rather than an economic monograph. The first chapter, dealing with the United States Supreme Court valuation decisions, is too brief and discursive to assist toward a full understanding of the subsequent chapters. Moreover, the relationship between the Wisconsin commission's theories and the Supreme Court decisions is not always clearly pointed out. Dr. Hale succeeds very well, however, in presenting the conflicting and contradictory character of the numerous valuation cases decided

by the Wisconsin Railroad Commission since 1905. This is not an easy task since the material must be drawn from all sorts of utility controversies ranging from reasonableness of railroad passenger fares to the fixing of the value of "indeterminate permits in cases involving municipal purchases."

It is to be expected that the Wisconsin commission's viewpoint should change in accordance with the nature of the individual cases brought to it for decision. Dr. Hale rightfully contends, however, that in adopting a new theory or in casting about for an old one, the commission frequently "does so without stating the grounds of its choice." Furthermore, "when expressing grounds of policy, the commission is not always consistent." Some of these inconsistencies the author endeavors to explain. His discussion is confined mainly to the problems of "fair value" and "reasonable return." As a "fair value" basis the Wisconsin commission has at times adopted the replacement cost of physical property. It has therefore excluded "intangibles" and abandoned or unused property. All this would seem to point to a complete rejection of "exchange value" as a basis for computing reasonable rates. However, following the Supreme Court decision in *Smyth vs. Ames*, the Wisconsin commission has at times adhered to the "composite value" theory, which retains many of the elements that enter into the exchange value of properties.

In enumerating theories of "fair return," there are cases where the commission seeks to allow only what is necessary to secure the service: there are others where it thinks the owners entitled on an analogy of private ownership to the unearned increment (p. 141). These conflicting opinions, according to Dr. Hale, point to the need of a revised principle of utility valuation. The so-called "incentive theory," which would restrict utility earnings to a rate merely sufficient to attract capital investment in utility properties, is analyzed in some detail, but it is not entirely clear from Dr. Hale's text whether he indorses this theory and believes in its practical application.

A. M. SAKOLSKI.

Hiring the Worker. By ROY WILLMARTH KELLY. (New York: Engineering Magazine Company. 1918. Pp. vii, 250. \$3.00.)

The Taylor System in Franklin Management; Application and Results. By GEORGE D. BABCOCK. (New York: Engineering Magazine Company. 1917. Pp. xx, 245. \$3.00.)

Scientific Industrial Efficiency. By DWIGHT T. FARNHAM. (Chicago: Kenfield-Leach Company. 1917. Pp. 101.)

Buying Brains. Facts and Suggestions regarding the Establishing of Better Relations between Employers and Employees. (New York: Authors Press. 1918. Pp. 229. \$2.00.)

The Works Manager Today. By SIDNEY WEBB. (London: Longmans, Green and Company. 1917. Pp. 162. \$1.00.)

In *Hiring the Worker* Mr. Kelly lays before his readers the results of a survey of the employment and service functions in thirty firms. He takes the position of the impartial investigator, presenting the data concisely and without prejudice, and gives the reader the opportunity to profit from the experiences of these organizations and to learn of the procedures developed within these industrial laboratories. The survey is described and an idea of the form of the organizations included is given. The employment manager and his duties, the employment department, its cost of maintenance, job analysis, and employee selection occupy the early chapters. Methods of employee placement and training in several different organizations are considered and the technique of transfer, promotion, and discharge is discussed. A number of examples of forms, records, and booklets, and a bibliography of employment management concludes the treatment.

The book awakens a keener appreciation of the breadth of the field of effort along the lines of employee relationships within the industry and should be of value to any one who wishes assistance in solving the practical problems which arise in the development of functionalized departments.

Rarely has an exposition of scientific principles been developed through the medium of narrative. Major Babcock in his discussion of *The Taylor System in Franklin Management* has achieved a singular degree of success through this avenue of expression. The industrial administrator finds in this method of presentation a strong appeal; for in place of the abstruse conclusions of the business theorist he reads the simple story of an application of the scientific method of management to a well known industrial organization, and he is constantly cheered by the realization that he is not reading of visionary industrial milleniums but of a manufacturing policy and procedure which have withstood all of the practical working difficulties for which he has a keen appreciation.

The opening chapters tell us of conditions in the Franklin plant before the introduction of the system; of the opening correspon-

dence with Dr. Taylor and Mr. Carl S. Barth; of the investigation of existing examples of the system; and of the final decision to attempt the installation. We then catch glimpses of the preliminary work in the plant, of the classifications which were made, of the standards which were set, and finally of the mechanisms of production control which, as developed here, constitute a lasting contribution to applied industrial science. Employment and rate fixing show a high degree of operating technique; and the introduction of such factors as years of service, absence and tardiness, cost of living, coöperation, and conduct into the formula for wage rate determination reflects the degree to which the human element was taken into consideration in the development of the wage payment plan. The effect of the new methods upon the functions of inspections, stores, purchasing, and its reaction upon the employees is discussed. In the closing chapter the results of the installation are made readily appreciable through the medium of several excellent charts.

To the modern administrator whose basic interest, behind a screen of attentiveness to systems and mechanisms, is in the study and resulting understanding of the men of his executive personnel, the book brings an unexpected and gratifying return, for between the lines he will sense the character of the writer, the breadth of vision, the high standards of achievement, the resoluteness of purpose with which the problem was approached, and he may find himself doubting if any venture could fail under the guidance of such a personality. The book brings faith to the unbeliever and courage to him who is facing the ever-present difficulties with which the paths of industrial progress are strewn.

Mr. Farnham's book is a description of the fundamental principles of scientific management and their bearing upon the manufacture of brick and other clay products. It has particular interest for those who are familiar with kiln processes. Many concrete examples of management methods and policies are cited and afford a valuable background for the reflection of the principles under discussion. The subject-matter, presented in simple and forceful manner, covers analytical time study, centralized control, planning and scheduling, standardized technical control, aids to management, principles and results.

Buying Brains is a somewhat superficial and generalized ex-

position of certain industrial activities including scientific management, employment, employee instructions and development, compensation, profit sharing, trade unions, coöperative policies and the elimination of wastes.

The trend of industrial administration in England is admirably indicated by Professor Webb in *The Works Manager Today*, which is the publication of an address prepared for a series of private gatherings of works managers. The discussion involves the function of management, reduction of production cost, appointments and dismissals, standardization of trade rates, wage systems, administrative technique (naïvely called "manners of management"), discipline, fatigue and accidents, scientific management, and welfare work.

ERWIN H. SCHELL.

Massachusetts Institute of Technology.

NEW BOOKS

- AIKEN, C. R. *The millinery department.* (New York: Ronald Press. 1918. Pp. xix, 175.)
- BASSET, W. R. *Accounting as an aid to business profits.* (Chicago: A. W. Shaw Co. 1918. Pp. 544. \$5.)
- BOLLES, A. S. *Business man's commercial law library.* (Garden City, N. Y.: Doubleday, Page. 1918.)
- BROWDER, E. *An accounting system for a coöperative store.* (New York: Coöperative League of America, 2 West 13th St. 1918. Pp. 16. 5c.)
- COHEN, J. H. *Commercial arbitration and the law.* (New York: Appleton. 1918. Pp. xx, 339. \$3.)
- DOUGLAS, A. W. *Merchandising.* (New York: Macmillan. 1918. Pp. 151. \$1.)
- FARRINGTON, F. *The successful salesman.* (Chicago: Laird & Lee. 1918. Pp. 208. \$1.)
- FERTIG, J. H. *A compilation of the laws relating to trades, occupations, and professions.* Bull. no. 18. (Harrisburg, Pa.: Legislative Reference Bureau. 1918. Pp. 347.)
- FITCH, J. K. *The Fitch bond book, describing all important corporation and railroad bond issues of the United States and Canada.* 1918 edition. (New York: Fitch Pub. Co. 1918.)
- FUNK, W. C. *Farm household accounts.* Farmers' bull. 964. (Washington: Dept. Agriculture. 1918. Pp. 11.)

GERSTENBERG, C. W. *Principles of business*. (New York: Prentice-Hall. 1918. Pp. xiv, 821. \$3.)

To be reviewed.

GOFF, W. L. and SCOTT, W. S. *High income bond values covering yields from 6 to 15 per cent, payable semi-annually*. (Boston: Finan. Pub. Co. 1918. 44 tables. \$3.40.)

GOWIN, E. B. *The selection and training of the business executive*. (New York: Macmillan. 1918. \$2.)

HAUER, D. J. *Modern management applied to construction*. (New York: McGraw Hill. 1918. Pp. 194. \$2.50.)

HENDERSCHOTT, F. C. and WEAKLY, F. E. *The employment department and employee relations*. (Chicago: LaSalle Exten. Univ. 1918. Pp. 60.)

JONES, F. D. and HAMMOND, E. K. *Shop management and systems*. (New York: Industrial Press. 1918. Pp. x, 307. \$2.50.)

KENT, W. *Bookkeeping and cost accounting for factories*. (New York: Wiley. 1918. Pp. vii, 261. \$4.)

The author has undertaken to prepare "a systematic treatise on cost accounting which will start the student at the beginning with the elementary principles of double entry bookkeeping and lead him through factory accounting to cost accounting, giving him not only the fundamental theory in accordance with the views of the ablest modern accountants, but also warning him against time-worn fallacies of the older school."

The first five chapters deal with elementary principles: titles and definitions of accounts; the evolution of modern labor-saving devices in bookkeeping; the Federal Trade Commission's system of accounts for retail merchants; and factory accounting as distinct from commercial bookkeeping. Cost accounting is taken up specifically beginning with the sixth chapter and the author "divorces the accounting department from the cost department having the latter determine costs by an independent method." "A new definition of factory cost is now needed. It is not post-mortem cost, what the goods cost last year, but what it will now cost to reproduce them or what they will probably cost during the remainder of the current year, assuming that the factory runs at its normal rate." A long chapter is devoted to distribution of burden. The machine-hour rate is considered by the author as the basis of the best system for factories manufacturing "assembled" product and he shows how certain modifications of it may make the cost figures more accurate than the ordinary results.

The particular merit of the book lies in the last half which is devoted almost entirely to practical cost accounting in specific industries, including a blast furnace, a steel works, foundries, a hardware factory, a machine shop, a bakery, a textile mill, a wood-working shop, power plants, and printing shops.

The student and accountant will find this treatise an invaluable handbook of useful and stimulating information. However, in the classroom it can be used advantageously as an elementary text only when supplementing a book which acquaints the student with the simpler aspects of the subject.

M. J. S.

LEHMAN, M. A. *The glassware department*. (New York: Ronald Press Co. 1918. Pp. xv, 161.)

LILLY, W. *Individual and corporation mortgages. A statement for laymen of the legal principles*. (New York: Doubleday, Page & Co. for the Investment Bankers Assoc. of Am. 1918. Pp. 153. \$1.)
To be reviewed.

LOWNHAUPT, F. *How to select investments*. (New York: Mag. Wall St. 1918. Pp. 148.)

MOTT, H. S. *The course of bond prices. A comparison with Civil War conditions*. (New York: Irving Nat. Bank. 1918. Pp. 16.)

NÉGRIER, P. *Organisation technique et commercial des usines d'après les méthodes américaines (système Taylor)*. (Paris: Dunod & Pinat. 1918.)

NELSON, G. N. *Income tax law and accounting, 1918*. (New York: Macmillan. 1918. \$2.50.)

PATON, W. A. and STEVENSON, R. A. *Principles of accounting*. (New York: Macmillan. 1918.)

POMEROY, R. W. *Bond investments: a complete list of suitable bond investments with memoranda in support of their classification*. (Buffalo, N. Y.: Conner & Co., 246 Michigan St. 1918. \$5.)

PRICE, I. *Questions in advanced bookkeeping for drill, test and review*. (New York: Hinds, Hayden & Eldredge. 1918. Pp. 80. 30c.)

RITTENHOUSE, C. F. *Elements of accounts for individuals, professional men and institutions*. (New York: McGraw-Hill. 1918. Pp. xii, 264. \$2.)

ROSS, W. J. *Price reports, the reporting plan; the constitution and by-laws*. (Utica, N. Y.: Knit Goods Mfrs. of America. 1918. Pp. 61.)

ROLLINS, M. *Municipal and corporation bonds. Terms, customs, and usages. A reference book for the investor and banker*. Revised edition by BENJAMIN FISHER. (Boston: Finan. Pub. Co. 1918. Pp. 202. 85c.)

SCHOCH, P. and GROSS, M. *Elements of business*. (New York: Am. Bk. Co. 1918. Pp. 216.)

SISSON, F. H. *The effect of the war on railroad securities*. (New York: Guaranty Trust Co. 1918. Pp. 8.)

STRAYER, S. I. and WRIGHT, H. W. *Modern bookkeeping, accounting*

- and business practice.* (Philadelphia: Modern Textbook Co. 1918. Pp. 258.)
- THOMPSON, E. B. *The silk department.* Department store merchandise manuals, vol. 9. (New York: Ronald. 1918. Pp. xx, 224.)
- TWYFORD, H. B. *Storing; its economic aspects and proper methods.* (New York: Van Nostrand. 1918. Pp. 200. \$3.)
- WANG, C. C. *Legislative regulation of railway finance in England.* (Urbana, Ill.: Univ. Illinois. 1918. Pp. 196. \$1.50.)
- Accounting system for the United States Indian Service.* (Washington: Dept. Interior, Office of Indian Affairs. 1917. Pp. 191.)
- The Merchants' Association of New York. Year book 1918.* (New York: The Association, Woolworth Bldg. 1918. Pp. 288.)
- Public utilities.* (Wellesley Hills, Mass.: Babson Statistical Organization. 1918.)
- The war's effect on copper, silver, railroad and industrial stocks.* (Boston: G. F. Redmond & Co. 1918. Wall chart 6 by 2 ft.)
- The 100 best investments.* (London: British, Foreign & Colonial Corporation, Ltd. 1918. 1s.)

Labor and Labor Organizations

- Profit Sharing. Its Principles and Practice.* A Collaboration by ARTHUR W. BURRITT, HENRY S. DENNISON, EDWIN F. GAY, RALPH E. HEILMAN, and HENRY P. KENDALL. (New York: Harper and Brothers. 1918. Pp. x, 328. \$2.50.)

In arriving at their conclusions in regard to profit sharing, the authors state that a critical study and analysis of the methods of a large number of employers have been made, that a considerable number of plants having profit-sharing schemes have been investigated at first hand, that large correspondence has been carried on, and that many employers and employees have been interviewed.

The collaborators have convinced themselves that under right conditions the participation of employees in the profits of a business will stimulate effort and increase personal efficiency, especially of members of the managerial groups and salaried workers in posts of responsibility; that profit sharing promotes organization fitness; tends to increase the permanence of a business by increasing continuance of high grade management, thus developing and maintaining the quality fact in the labor force which in turn protects the reward upon invested capital; that, though not the most important, profit sharing is nevertheless a helpful means

of reducing the labor turnover by securing permanence of service; that when carefully guarded so as not to limit freedom of occupational choice, which is a chief goal of society, profit sharing is an important agency for the promotion of industrial peace.

The task undertaken is an ambitious one, the method and purpose most promising, and it is a marked achievement in economic and business literature that the five authors are in substantial agreement as to their conclusions.

The analysis has been essentially confined to the discussion of fundamental principles and methods of applying the profit-sharing principle, leaving to each business, in the light of its own needs, the working out of all such details as the amounts of profits to be decided, the groups eligible to share in profits, what the basis of payment shall be, whether the scheme shall be a general, departmental, or unit payment plan, frequency of distributing profits, whether payment shall be in cash or stock, etc.; and has relied upon the valuable American and British government documents on the same subject to furnish detailed statistical matter.

The authors have clearly recognized the vital relations between profit sharing and other crucial aspects of functional, personnel administration. They wisely stress the fact that profit sharing cannot do many important things. It cannot, for example, be a substitute for good management; it cannot successfully establish any self-operating mechanism in business divorced from the necessary high qualities of personality which constitute the successful business administrator—constructive imagination, enlightened judgment, true courage, inspiring energy, enthusiasm, sincerity, loyalty, a genuine spirit of coöperation, a lofty conscience.

A thoroughgoing audit of corporation management is needed before profit sharing can be wisely introduced. It is an unwholesome business procedure to add profit sharing to a business where basic standards of wages and working conditions are not maintained, where workers have not been carefully selected and adapted to their tasks, where job and organization instruction and training are inadequate or lacking, hours of work too long, systems of transfer and promotion undeveloped, and where no open channels for the expression of grievances exist.

Since too often employers have definitely regarded profit sharing as a substitute for an adequate wage, the authors have been wise in calling attention to the fact that they have considered profit sharing upon the assumption of the continued existence of

our present economic system and its wage payment methods, and that profit sharing must be regarded as merely having a rightful place within the wage system, in no sense a substitute for it.

A definite contribution to a more wholesome solution of the problem of incentives and rewards, which is now so generally occupying the attention of the business world, is expressed in the following paragraph, (p. 74): "The outstanding fact tacitly recognized in all these plans is that long service is something that the employer is not entitled to expect in return for the regular market wage. It is something of special value over and above the day's work and to obtain it the employer expects to make an exceptional payment for it."

A fundamental criticism of profit sharing raises grave questions now confronting the business world. The reviewer would like to stress the following: How can employees have complete confidence in any profit-sharing scheme until they are convinced that manufacturers know their actual cost of production? In announcing that only ten per cent of the manufacturers in the United States know their actual cost of production, the Federal Trade Commission gave students of profit sharing and economic justice something to think about. Here is a vital problem involving the analysis and just apportionment of overhead expenses which leads to fundamental questions of economic and social justice. Idle workmen are not paid wages. Why should capital invested in idle machinery be remunerated? Profit is very materially influenced by the overhead. The cost of *maintaining* an organization is a complicated matter. Overhead expenses often involve the largest waste in production. Too frequently these wastes result from faulty organization—lack of foresight in purchasing material, defective routing, antiquated or idle machinery, inefficient maintenance, delays due to the lack of clear or duplicated instructions from the office or department heads, etc. Are these not matters vitally affecting profits and is it not the right of profit sharers to know all about them?

Further, must not the facts for an intelligent understanding of any incentive or payment plan comprehend a true knowledge of the state of demand for the product, the wages in the community and in the industry under consideration, the amount and standards of output, the cost of living, the hazards of the job, the amount of previous education necessary for the work, the amount of continued instruction necessary to carry on the work with cumula-

tive efficiency, the amount of waste involved, the length of service, the regularity of attendance, the possibilities of promotion, the actual profits of the business, the methods employed of providing for plant extension, depreciation, reserves, disposition of surplus, and the company policy as to minimum and maximum salaries in the organization? And must not all this vital data be jointly collected, appraised, and agreed to, before we can hope to have any very satisfactory or widely accepted profit-sharing schemes? Genuine profit-sharing plans must embody guarantees of their terms in writing clearly understood by all before they are undertaken. There must be full knowledge and publicity of accounts—at least easy access to the books by outside accountants. There must be a fixed rate of dividends and an agreed upon ratio of basic pay for head and hand workers; the setting forth of a statement of the complete terms upon which a business is conducted, the amount of profits set aside, the rate of dividend, the rate to be written off for depreciation, and a clear agreement in advance that the employer will, if there is a profit, divide it with the employees on such and such an agreed basis.

Although not called upon to treat the problems of management sharing in any detail, our authors clearly recognize, in their illuminating chapter on Profit Sharing to Promote the Spirit of Cooperation, the close interrelations between profit sharing and some well worked out plan of group participation and functional management. Especially is this true if profit sharing is to be a real help in developing coöperation in the managerial groups. This chapter is a real contribution to the much discussed problem of a joint administrative control now agitating the business world.

As indicated on pages 156-157 the authors further recognize the clear relations between profit sharing and management sharing, but they do not bring out the vital fact that in order to secure the complete confidence of employees in profit-sharing schemes the workers must share in their administration. Joint control over the many complicated phases of personnel administration bristles with difficulties, but this is no reason for dodging the issue; and the trite saying, so common among employers, that employees are not prepared for or in any considerable numbers desirous of assuming the burdens of management sharing, does not reflect a constructive attitude of mind. Until employees have a share in the administration of those problems directly affecting their own personal welfare, are employers justified in asking their workers to share losses?

In opening up the important question as to what extent should a company introducing profit sharing provide for giving to its employees the facts regarding financial operations, such as investments, earnings, total or departmental profits, the only answer satisfactory to the reviewer is, to the fullest extent necessary to enlighten and convince the employees what all the vital facts are that directly or indirectly influence profits. Such enlightenment and conviction can come only as a result of the employees having had a share in the collection, evaluation, and publicity of the essential facts.

The questions raised are in no way intended as an adverse criticism of the book under review. The work is unquestionably trustworthy in all vital particulars. Its constructive criticism of a method of income distribution—its philosophy, interpretation, limitations—is at a time like this, when employers are clamoring for help, most salutary. The book is a wholesome model of what constructive propaganda among employers should be.

HENRY C. METCALF.

NEW BOOKS

BENTINCK, H. *Industrial fatigue and the relation between hours of work and output, with a memorandum on sickness.* (London: King. 1918. Pp. 43. 6d.)

COLE, G. D. H. *An introduction to trade unionism.* (London: Allen & Unwin. 1918. 2s. 8d.)

COLE, G. D. H. *Labour in the commonwealth.* (London: Headley Bros. 1918. 5s. 6d.)

COLE, G. D. H. and MELLAR, W. *The meaning of industrial freedom.* (London: Allen and Unwin. 1918. Pp. 46. 1s.)

COLE, G. D. H. *The payment of wages. A study in payment by results under the wage-system.* (London: Allen & Unwin. 1918. 6s.)

COLLIER, D. J. *The girl in industry.* (London: G. Bell & Sons. 1918. Pp. 56. 9d.)

CROSS, I. B. *Collective bargaining and trade agreements in the brewery, metal, teaming and building trades of San Francisco, California.* University of California publications in economics, vol. 4. (Berkeley: Univ. California Press. 1918. Pp. 233-364. 30c.)

This monograph is largely the result of investigations made by the author for the United States Commission on Industrial Relations. Its publication is another evidence that the niggardliness of

Congress has not prevented the presentation of the most useful parts of the commission's work.

Professor Cross deals comparatively little with the historical development of collective bargaining and trade agreements in San Francisco. Most of his material is concerned with the unions, the employers' associations, and the conditions of employment as they obtained in 1915. Discussing the first three trades named in the title, the author outlines the different items covered by agreements, such as those relating to wages, hours, the closed shop, the union label, the restriction of output, and conciliation and arbitration. This enumeration, however, is not found necessary for the building trades for the reason that the building trades unions, generally speaking, had not developed the agreement type of mind by 1915 but preferred to force their terms upon employers without waiting for conferences or formal understandings. In contrast to the building trades it is pointed out that the brewery workmen, who were organized fully as well as the former, willingly entered into contracts with the employing interests. The best example of collective bargaining in the city appeared to be represented in the metal trades where the opposing parties were fairly equal in strength, thus making it impossible for one side to dictate terms to the other. In the teaming trades the degree with which collective bargaining was carried on with success varied with the different types of teamsters and their employers.

The main conclusion of the study is that collective bargaining down to 1915 had been a success in San Francisco and that the policy of trade agreements should be upheld generally. This conclusion and other minor ones, however, the author has not supported by analysis and argument as fully as he might have done. The best feature of the monograph is its presentation of the actual terms of agreement obtaining in typical trades in a strong closed-shop center. Such data as this will be of assistance some day when a comprehensive treatise is prepared on collective bargaining in America.

A directory of the San Francisco unions affiliated with the labor council of that city, a schedule of wages and hours prevailing in the city for May, 1915, a brief note on the local settlement of jurisdictional disputes, and copies of three local agreements are given in appendices.

FRANK T. STOCKTON.

EARNSHAW-COOPER, W. *British industries after the war. I. The hand industry.* (London: Central Committee for National Patriotic Organizations, 62 Charing Cross. 1918. Pp. 52. 3d.)

GRANT, P. S. *Fair play for the workers; some sides of their maladjustment and the causes.* (New York: Moffat, Yard. 1918. Pp. 368. \$1.60.)

HARRIS, L. I. and SWARTZ, N. *The cost of clean clothes in terms of health.* (New York: Department of Health. 1918. Pp. 96.)

Dr. Harris represents the Department of Health of New York City and Miss Swartz is executive secretary of the Consumers'

League of New York. They were assisted by nine investigators. The study describes the conditions of work in laundries: hours, wages, working force, and relation of work to health. Wherever possible the data are summarized in statistical tables. Need is shown for minimum wage legislation in this industry.

HART, H. *Fluctuations in unemployment in cities of the United States, 1902-1917.* Studies from the Helen S. Trousstine Foundation, vol. 1, no. 2. (Cincinnati: The Foundation, Neave Bldg. 1918. Pp. 59. 25c.)

The object of this investigation is to determine how much unemployment there has been in occupations other than agricultural in the United States in recent years; the unemployment situation at the close of the war; and the value of remedies proposed for unemployment. Table 1 shows the estimated number of millions of unemployed workers by months, 1902-1917. The largest number unemployed, according to this, was found in January, 1915, numbering six and one half million. The method of arriving at the estimates was to ascertain for each year and month the total number of persons normally occupied in non-agricultural pursuits and to subtract from these "normal supply" figures the estimated "connected demand" for labor consisting of the total number of persons unemployed in non-agricultural pursuits. The "connected" demand was determined by a synthesis of widely scattered information of employment fluctuations. The author does not describe the particular method but in this connection adds, "those who are interested in the details of the statistical method used are invited to address inquiries." Interesting and original diagrams illustrate the results of the statistical investigations.

HENDERSCHOTT, F. C. and WEAKLY, E. *The employment department and employee relations.* (Chicago: LaSalle Exten. Univ. 1918.)

HENDERSON, A. *The aims of labour.* (New York: Huebsch. 1918. Pp. 108.)

HENDERSON, A. *The league of nations and labour.* (London: Oxford Univ. Press. 1918. Pp. 13. 3d.)

HUTCHINS, B. L. *Women in industry after the war.* Social reconstruction pamphlets, no. III. (London: Athenaeum Literature Dept. 1918. Pp. 28.)

KING, W. I. M. *Industry and humanity. A study in the principles underlying industrial reconstruction.* (Boston: Houghton Mifflin. 1918. Pp. xx, 567. \$3.)

To be reviewed.

KNOEPPPEL, C. E. *Women in industry. An address based on answers to 1,000 questionnaires on women in industry.* (New York: C. E. Knoeppel & Co., 101 Park Ave. 1918. Pp. 123.)

LEE, F. S. *The human machine and industrial efficiency.* (New York: Longmans. 1918. Pp. 119. \$1.10.)

To be reviewed.

- LÉMONON, E. *L'après-guerre et la main-d'oeuvre italienne en France.* (Paris: Alcan. 1918. 2 fr.)
- MANN, A. *Women workers in factories.* (Cincinnati: Consumers' League of Cincinnati. 1918. Pp. 45.)
- MAROT, H. *Creative impulse in industry.* (New York: Dutton. 1918. Pp. xxii, 146. \$1.50.)
To be reviewed.
- MILLS, F. *Labour and economics.* (London: F. Matthews. 1918. Pp. 23. 1s.)
- PHILLIPS, M., editor. *Women and the labour party.* By various women writers. (New York: Huebsch. 1918. Pp. 110. 50c.)
The papers included are: The women trade unionists' point of view, by Mary R. Macarthur; The claims of mothers and children, by Margaret L. Davies; The nursery of to-morrow, by Margaret McMillan; The end of the poor law, by Beatrice Webb; Women as brainworkers, by Rebecca West; Women as domestic workers, by Margaret G. Bondfield; The working woman's house, by A. D. S. Furniss; The labour woman's battle with dirt, by Katharine B. Glasier; The woman wage earner, by A. S. Lawrence; and Women and internationalism, by Mary Longman.
- RENOLD, C. G. *Workshop committees.* (New York: Survey Associates. 1918.)
A summary of a memorandum prepared for the British Association. Deals with the objects of such committees and types of organization.
- ROCKEFELLER, J. D., JR. *Brotherhood of men and nations.* (New York: The author, 26 Broadway. 1918.)
Reprint of an address delivered before the Civic and Commercial Club of Denver, Colorado, June 13, 1918; describes in part the plan of industrial representation which has been established in the Colorado Fuel and Iron Company.
- SLICHTER, S. H. *The turnover of factory labor.* (New York: Appleton. 1918.)
- TEAD, O. *Instincts in industry. A study of working-class psychology.* (Boston: Houghton Mifflin. 1918. Pp. xv, 221. \$1.40.)
- TRENT, R. S. *Women in industry.* Bulletin of the Extension Division, Indiana University, vol. III, no. 7. (Bloomington, Ind.: The University. 1918. Pp. 59.)
- WATSON, C. H. *The employer, the wage earner, and the law of love.* Hattie Elizabeth Lewis Memorial essays in applied christianity. (Lawrence, Kans.: Univ. Kansas. 1918. Pp. 31.)
- WEST, R. *Women and the Labour party.* (New York: Huebsch. 1918.)
- WOEHLKE, W. V. *Union labor in peace and war.* (San Francisco: Sunset Pub. Co. 1918. Pp. vii, 141.)

- Arbitration and wage-fixing in Australia.* Research report no. 10. (Boston: National Industrial Conference Board. Oct., 1918. Pp. 51. \$1.)
- Control of diseases in establishments for the manufacture and loading of high explosives.* Reprints from the Public Health Reports. (Washington: Supt. Docs. 1918.)
- The eight-hour day defined.* Research report no. 11. (Boston: National Industrial Conference Board. Dec., 1918. Pp. 11. 50c.)
- Hiring and firing. Suggestions for employers.* Industrial service bulletin no. 1. (New York: Metropolitan Life Ins. Co. 1918. Pp. 48.)
- An investigation of the factors concerned in the causation of industrial accidents.* Health of munition workers, memorandum no. 21. (London: Ministry of Munitions of War, Welfare and Health Section, 8 Northumberland St. 1918. Pp. 46.)
- Labor problems under war conditions; complete report of the proceedings of the national conference held under the auspices of the Western Efficiency Society and the Society of Industrial Engineers, Chicago, March 27-29, 1918.* (Chicago: G. C. Dent, Secretary, 327 S. LaSalle St. 1918. Pp. 222. \$1.50.)
- Labour legislation in Canada as existing December 31, 1915.* (Ottawa: Dept. of Labour. 1918. Pp. 740.)
- List of organizations affiliated with the American Federation of Labor, national and international, department, state, central and local.* (Washington: The Federation. 1918. Pp. 66.)
- Proceedings of the sixth annual convention of the Louisiana State Federation of Labor held at Alexandria, Louisiana, April 1-3, 1918.* (Shreveport, La.: E. H. Zwally, Secretary. 1918. Pp. 61.)
- A questionnaire digest on methods of wage payment.* (Chicago: Western Efficiency Society, 327 S. LaSalle St. 1918. Pp. 52.)
- A report of the causes of wastage of labour in factories employing women.* Medical Research Committee, National Health Insurance, Special Report series no. 16. (London: Wyman. 1918. 1s. 6d.)
- "The collected facts show that the general strain of factory life is not borne worse by elder than by younger women, but that when the general wear and tear of factory conditions is combined with physical labor of more than a light or medium degree women over 23 years of age cannot as a whole stand the strain so well as their juniors." In the analysis advanced statistical methods are used.
- Report of enquiry made by the Ministry of Labour on the origin, constitution, procedure, and functions of works committees.* (London: King. 1918. 6d.)
- Report of the nineteenth annual general council meeting of the General Federation of Trade Unions, July 4-5, 1918.* (London: The Federation. 1918. Pp. 47.)

Report of the railroad wage commission to the director general of railroads, April 30, 1918. (Washington: Railroad Wage Commission. 1918. Pp. 156.)

The state and industry during the war and after. Reorganization of industry series, IV. (Oxford, Eng.: Ruskin College. 1918. Pp. 84.)

Training and employment in the printing trades. (London: London County Council. 1917. Pp. 49. 1s.)

The Western Union and the War Labor Board. The company's position. (New York: Western Union Tel. Co. 1918. Pp. 40.)

Women workers in the Philadelphia Naval Aircraft Factory. Women in war industries series, no. 4. (Washington: Committee on Women in Industry of the Council of National Defense. Oct., 1918. Pp. 47.)

Money, Prices, Credit, and Banking

Capital Today. A Study of Recent Economic Development. By HERMAN CAHN. Second edition, revised and enlarged. (New York: G. P. Putnam's Sons. 1918. Pp. xii, 376. \$2.00.)

The first edition of this book appeared in 1915. Since that time many important and startling economic changes have taken place. These changes necessitated a complete revision. The most emphatic change is in the chapter entitled Money of Account, which has been entirely rewritten and largely expanded. Bank credit money has taken on new significance in the last three years in practically all the important commercial countries of the world. Loans and discounts and note issues have been increasing much faster than deposits and reserves and this fact apparently gives new and cumulative evidence of the main conclusion of the book; namely, that the present capitalistic structure would eventually fall down of its own weight. Because of the great expansion of fictitious capital due to the existence of an enormous increase of bank credit money the social solvency will be seriously endangered. The time is not far distant when people will call for the redemption of money in terms of actual values and when that time comes capitalism will be doomed.

The main hypotheses of the book are socialistic. Emphasis is placed not so much on production as upon the mechanism of exchange. Before the era of capital concentration, which has been the result of the last fifty years of economic development, the formula of the economic cycle was "commodity-money-commodity"; now the formula is "money-commodity-money." The earlier

aim was to make money a mere tool in effecting exchanges, the productive process eventuating in commodities. Now the aim is to make the productive process eventuate in profits, and these profits have tended to center in fewer and fewer hands.

The whole capitalistic system rests upon the very insecure foundation of gold. It is like a huge inverted pyramid. The base, due to the enormous expansion of money of account and the relatively small supply of gold, has become with the years increasingly attenuated. The super-structure is becoming top-heavy and is even now wobbling on its very uncertain foundation. According to the author, time will come when the whole structure will collapse like a house of cards and then will be ushered in the new régime of socialism in which all value will be estimated in terms of labor power, and exchanges will be effected directly through the use of labor tickets which will displace the money of our day.

Capital takes two forms, industrial capital and fictitious capital. Industrial capital is made up of fixed and variable capital. In this grouping are included buildings, machinery, raw materials, and labor power. A large surplus value exists as a result of the productive process. A part of this surplus goes to the capitalist class for consumption purposes, a part goes back into the business, but far the larger part takes the money form which in turn is converted into fictitious capital—stocks, bonds and mortgages, the largest part of which exist by virtue of expected profits. Little or no actual value is thus represented. These expected profits are capitalized and appear in the form of paper evidences, mere legal titles. Through the money power this fictitious capital, represented by bank credit extended to the capitalistic class, is narrowly controlled. In this way the dangerous cycle goes on.

The money system is endangered by the expanding credit facilities of the banks. Money of account becomes of more and more importance. It consists of three categories: namely, savings accounts, profit-made credit money, bank-made credit money. Savings accounts are not the sum of small deposits made by the wage-earning group, as is generally assumed, but deposits in amounts as large as \$1,000 made in many savings institutions by a small percentage of the total number of depositors in such institutions. Profit-made credit money consists of deposits of cash made in commercial banks by the industrial class. Bank-made credit money originates out of loans made by the banks to clients against

which checks may be drawn and also from notes issued by banks under the federal reserve law and similar acts. In both cases there is no value back of this money. The whole operation is unsubstantial and insecure. The expansion of credit by banks has become alarming. Reserves are more and more inadequate, so, if the operation continues, the time will come when this process of profit making by banks will lead to a general collapse. Banks will not be able to redeem their promises to pay, social insolvency will ensue, and the whole economic fabric so laboriously built up will come tumbling about our ears.

EVERETT W. GOODHUE.

Colgate University.

Credit of the Nations. A Study of the European War. By J. LAURENCE LAUGHLIN. (New York: Charles Scribner's Sons. 1918. Pp. xii, 406. \$3.50.)

The *Credit of the Nations* is an analytical account of the financial experience of Great Britain, France, Germany, and the United States during the first three years of the war. In the opening sentence Professor Laughlin observes: "Even though the immediate causes of the European War may have been dynastic ambition, exaggerated nationalism, and lust for power, the ultimate causes are undoubtedly to be found in economic conditions." Happily the succeeding pages, an excellent sketch of economic conditions and developments during the years preceding the conflict, do not compel the acceptance of this explanation. On the contrary, the rapid growth of German wealth and trade, the most striking feature of the chapter, forces the reader to accept rather the concluding sentence. "It is mere deception to speak as if Germany had been deprived of the chance for unlimited industrial and commercial growth in times of peace, and that she had to go to war for the right to legitimate economic development."

The financial experience of each of the countries considered is preceded by a serviceable account of monetary and banking arrangements and practice. The course of the crisis, which came with the outbreak of the war is then given detailed consideration. This is the most valuable portion of the volume. The financing of the war, and the monetary and credit changes which have marked its course are handled in more summary fashion, and the analysis is less satisfactory. Professor Laughlin is here too much concerned to find evidence for the validity of the principles of

credit which he has set forth in earlier publications. To the reviewer the inadequacy of the Laughlin theory of credit becomes strikingly evident in the light of experience during the war. The effective demand for goods, and consequently prices have risen portentously, because of an unprecedented expansion of credit. The initiating influence has been the resort to banks for more or less permanent accommodation in financing the war. Professor Laughlin does not admit this, even as a possibility, except under a régime of inconvertible paper money.

Those who do not accept Professor Laughlin's monetary views will find themselves disagreeing with him regarding many of his conclusions. A single instance will be sufficient to illustrate the matter. That German war finance has involved much inflation is evident to Professor Laughlin, because it has been largely in the form of paper money. He does not consider that there has been much inflation in Great Britain and in the United States where, owing to the general use of checks, it has been in the form of deposit credits. There may indeed have been more inflation in Germany than elsewhere, but that is a question which cannot be determined by the comparison of issues of paper money and the course of foreign exchange rates under the special restrictions on trade and gold movements, which were present during the war.

O. M. W. SPRAGUE.

Harvard University.

Money. Its Connexion with Rising and Falling Prices. By EDWIN CANNAN. (London: P. S. King and Son. 1918. Pp. 66. 2s. 6d.)

This booklet presents in an interesting and popular form an explanation of the relation between money and prices. It was projected as a supplementary chapter to the author's *Wealth: a Brief Explanation of the Causes of Material Welfare* published in 1912 and was separately published because of the importance of the subject in the solution of the problems caused by the war.

The exposition begins with an explanation of the concepts, *the general level of prices* and *the value of the unit of account*, the former being declared to be merely an expression of the latter. The causes of changes in the general level of prices are then explained as the influences or circumstances which determine the demand and the supply of the unit of account, and these influences and circumstances are set forth in three sections, one treating the

general level of prices "where the unit of account is a fixed quantity of bullion uncoined or coined," the second where it is "a coin of which the issue is limited," and the third where it is "a bank note or a currency note."

The peculiarity of the author's treatment of each of these topics is the absence of any reference or appeal to the quantity theory of prices. His treatment of the demand and supply of the unit of account, as he calls it, in each of these cases is concrete and makes no use of such phrases and concepts as "the quantity of money in circulation," "rapidity of circulation," "quantity of commodities exchanged," etc.

In the first case "where the unit of account is a fixed quantity of bullion, uncoined or coined," he gives full recognition to those elements of demand which are outside of or independent of the currency, and in considering the currency demand he centers his discussion on the determination of the "magnitude of the average holding of coin" by individuals and institutions. The decisive factor in the case of individuals he finds in "the necessity or convenience of having means of payment at hand" (p. 12); and these have been so affected by "methods of setting one payment against another through banking and other agencies" that "the magnitude of the average holding of coin depends almost entirely on the magnitude of the smallest note which is allowed by law and is generally acceptable" (p. 14).

How much coin will be held by the governments which issue paper currency and by banks, whether they issue bank notes or not, actually depends at present . . . on the decision arrived at by government and banking authorities, who often accept wholly erroneous theories, and who have to be guided to a large extent by the erroneous theories held by the public even when they do not accept them. So we find in different countries different amounts of coin held in reserve against liabilities which seem on the face of them very much the same, and very great changes in quite short periods (p. 15).

The second case considered, "where the unit of account is a coin of which the issue is limited," differs from the first in the fact that a charge is made for coinage, the effect of which is, according to the author's view, to limit the supply to such a degree as usually to raise the value of the unit above that of its metallic content by the amount of the charge. It will be somewhere between the value of its metallic content and that value plus the charge, if demand suddenly falls, but it can never fall below that

value on account of the ability of the holder to transform the coin into bullion by melting.

"Where the unit of account is a bank note or currency note" demand and supply still rule, but the value of the bullion or of the coin which constitutes the metallic unit and specified amounts of which the notes promise to pay, cannot be left out of account. The value of convertible notes cannot for any considerable length of time be above or below the value of the metallic unit, because an excess supply, which would tend to reduce their value below that point, would be at once taken from the market by conversion, and a deficient supply, which would tend to raise their value above that point, would be at once corrected by an increase of issues. The author thinks, however, that notwithstanding the fact that these notes circulate at par they tend to raise the level of prices by "displacing" coin, thus diminishing the demand for it. He thinks this tendency is to some extent counteracted by a "much larger quantity of currency (coin plus notes) being kept on men's persons than if there are no notes" (p. 46).

The case of inconvertible notes differs from that of convertible chiefly in the fact that an excess supply cannot be taken from the market by conversion and hence the value of such notes may and usually does sink below par. The author explains in an interesting way how such notes get into and are kept in circulation, but he almost entirely neglects and, in the judgment of the reviewer, underestimates the effect of purely subjective influences on their value. He seems to think that, when they once get into circulation, their value is very little influenced by anything except their demand and supply.

The author has written clearly and brought the subject within the easy comprehension of ordinary readers. He has undoubtedly rendered a service in helping to create correct public opinion on this important subject.

WILLIAM A. SCOTT.

University of Wisconsin.

NEW BOOKS

BERGES, M. and BESSON, F. *Le problème monétaire et fiduciaire.* (Paris: Rivière. 1919. 5 fr.)

BLODGETT, H. A. *The art of saving.* (St. Paul: Harvey Blodgett Co. 1918. Pp. 80.)

COUGNARD, J. *La caisse d'épargne du canton de Genève, 1816-1916.* (Geneva: Albert Kundig. 1917. Pp. 189.)

DUCCLOS, M. *La crise monétaire mondiale. Projet de solution par la création d'un billet de banque international.* (Paris: Impr. Chaix. 1918. Pp. 57.)

EBERSOLE, J. F. *Elementary banking.* (New York: Am. Inst. Banking. 1918. Pp. 288.)

EVANS, H. E. *Talks on banking to bank clerks.* (New York: Pitman. 1918. 2s. 6d.)

GARDNER, E. H. *New collection methods.* (New York: Ronald. 1918. Pp. xviii, 467. \$4.)

A business man's book. It throws light on credit relationships between manufacturers, jobbers, and retail dealers. Chapter 26 treats of the trade acceptance.

GUGGENHEIM, W. *Our republic triumphant. A plea for sane banking and sound money. A plea for business operation. A plea for constitutional government.* (New York: Am. Defense Soc., 44 East 23d St. 1918. Pp. 70. 50c.)

KEMMERER, E. W. *The A B C of the federal reserve system.* (Princeton: Princeton Univ. Press. 1918. Pp. xiii, 182. \$1.25.)

At first sight the book appears to be a considerably more elaborate treatise than the title would indicate, but a closer examination reveals the fact that but 90 pages, set in large type, are given to the discussion of the subject in hand. The rest of the volume is given over to four appendices containing, respectively, an annotated combined balance sheet of the twelve banks, the complete text of the Federal Reserve act and amendments, the parts of the text of the Farm Loan act affecting the federal reserve system and that part of the War Revenue act of April 24, 1917, which affects federal reserve banks. Two indexes follow, one of the act and its amendments and the other to the author's own text. The former is highly unsatisfactory since it refers only to sections, many of which cover a number of pages and subjects.

The purpose of the present work is, according to the author, "to set forth in non-technical language the chief reasons why the federal reserve system was called into being, the main feature of its organization and how it works." In his first four chapters, Professor Kemmerer has singled out for brief discussion, what he considers the four groups of chief defects of our old banking system, viz., decentralization, inelasticity of credit, cumbersome exchange and transfer system, and defective organization as regards relationship with the federal treasury. The remaining four chapters point out the respective remedies which are provided by the federal reserve system. Not only are the legislative provisions of the system recorded in each case but the progress made to date in carrying them out is summarized as well. To boil down into a few brief paragraphs, free from technical language, the important features of so complicated and comprehensive a subject is by no means easy, but Professor Kemmerer has performed the task in admirable fashion.

ion. Naturally, however, detailed explanation had to be sacrificed to brevity with the result that a reader without a fair knowledge of our financial mechanism and its method of operation may experience some difficulty in following some portions of the discussion.

GEORGE W. DOWRIE.

LEHFELDT, R. A. *Gold prices and the Witwatersrand*. (London: King. 1918. 5s.)

MORGAN, G. W. and PARKER, A. J., JR. *Banking law of New York, with supplement 1918, notes, annotations, references and amendments of 1918*. (New York: Banks Law Pub. Co. 1918. Pp. vi, 553.)

POPE, J. E. *The federal farm loan act*. (Washington: Bureau of Applied Economics, Department of Banking and Public Finance. 1917. Pp. 58.)

ROLLINS, M. *The banker at the boarding-house*. (Boston: Lothrop, Lee & Shepard Co. 1918. Pp. 411. \$1.50.)

SABIN, C. H. *Banking evolution*. (New York: Guaranty Trust Co. 1918. Pp. 6.)

SHIRRAS, G. F. *Memorandum of banking*. (Calcutta: Industrial Commission. 1918. Pp. 53.)

STIX, S. L. *Would the adoption of the trade acceptance be to your advantage? Address before convention of the National Coffee Roasters' Association, Cleveland, December, 1918*. (Philadelphia: George H. Paine. 1918. Pp. 16.)

ZALDARI, P. *Trade acceptance discount tables*. (New York: Bankers Encyclopedia Co. 1918. Pp. 64.)

Acceptances. (New York: Guaranty Trust Co. 1918. Pp. 72.)

Bank amalgamations. Report of Treasury Committee. (London: King. 1918. 1s.)

Commercial banking practice under the federal reserve act. Revised edition. (New York: National Bank of Commerce. 1918. Pp. 127.)

Contains the law and regulations and informal rulings of the Federal Reserve Board, the opinions of counsel governing bank acceptances, rediscounts, advances and open market transactions of the federal reserve banks. A revision of the first edition, issued in July, 1917.

Loans and discounts. (Chicago: A. W. Shaw Co. 1918. Pp. xvi, 264.)

The one hundred years of the Salem savings bank. (Salem, Mass.: Salem Savings Bank. 1918. Pp. 44.)

Prices and cost of living. Reprinted from the *Monthly Labor Review*, Sept., 1918. (Washington: Bureau of Labor Statistics. 1918. Pp. 28.)

Proceedings of the tenth annual convention of the National Federation of Remedial Loan Associations. (Worcester, Mass.: Charles E. Burnham, 518 Slater Bldg. 1918. Pp. 38.)

Trust companies of the United States, 1918. (New York: Mortgage & Trust Co. 1918. Pp. lxxv, 573.)

This useful annual contains statements of the condition of trust companies June 29, 1918, names of officers and directors, stock quotations, dividend rates, and the balance sheets of the trust companies of the country. More than one half of the total resources are represented by trust companies which have now joined the federal reserve system. Of the total resources of \$9,381,000,000, \$3,055,000,000 is accredited to New York and \$1,256,000,000 to Pennsylvania. As usual, the volume contains digests of state regulations. One of the indexes lists these institutions by cities.

Public Finance, Taxation, and Tariff

A History of the Tariff Relations of the Australian Colonies. By CEPHAS DANIEL ALLIN. The University of Minnesota Studies in the Social Sciences, No. 7. (Minneapolis: Bulletin of the University of Minnesota. 1918. Pp. vi, 177. 75 cents.)

The appearance of this monograph is peculiarly timely in view of the war-induced prominence which of late has attended the question of imperial preference within the British Empire. This is so notwithstanding the sharp contrast between the world-wide scope of modern British imperial problems and the restricted range of conditions in the Australian colonies of 1860 which form the subject of Professor Allin's study. He makes it clear that all federal proposals among the struggling young colonies of that time "were looked upon with a certain amount of suspicion, as involving a possible limitation of local autonomy or a malevolent design against the welfare of the colony." The movement during the fifties and sixties for an assimilation of tariffs ended in an ignominious succession of petty squabbles. The colonies were too intent upon their own local and immediate ends to have concern for the larger aspects of intercolonial questions of interest to all. We may detect in the modern movement for imperial preference in the Empire a partial counterpart of this colonial sectionalism. Thus despite its liberalistic origin, for the purpose namely of saving the Empire from a gradual process of disintegration, the preference movement has at times been threatened by the growth within the Dominions of a spirit of protection. The parallel appears when we note the fact that the modern movement has been in danger of degenerating into a game of tariff manoeuvring, the

units in this instance being the Dominions rather than the separate colonies. The moral contained in Professor Allin's study is of singular significance therefore to students of the British imperial situation.

One is quite ready after reading this monograph to accept unreservedly the author's assertion that "the history of the tariff relations of the Australian colonies is a sorry record of intercolonial jealousy and strife." Although emancipated from the bondage of Downing Street by the Australian Colonies Government Act of 1850 little if any progress was made by the colonies during the two decades following toward the evolution of a national life or consciousness. "The scattered colonists, like the children of Israel, were doomed by a narrow provincialism to wander for forty years in the wilderness before they were ready to enter into their national heritage."

Although the tariff history of the Australian colonies during the period under review was little more than a succession, with perennial regularity, of tiresome negotiations and dismal failures, the reviewer ventures to withhold his complete acceptance of Professor Allin's assertion that "to the statesman or political scientist, the tariff history of this period is of small practical or scientific value." On the contrary, by very reason of its dismal hue the study of this period cannot but serve as an eloquent signpost of warning to future state builders. As such it deserves an honorable position beside the like story of fiscal failure which attended the progress of the United States during the critical years following 1783.

In the opinion of the reviewer a measure of ambiguity appears at times in the use of the term Colonial Secretary in the early part of the book. Thus on page 10 that term, used three times, applies to the Secretary for the Colonies in London, whereas on the following page its single appearance is for the purpose of designating the Colonial Secretary of New South Wales. Again on page 42 the reader for a moment is uncertain whether the term relates to the British or the colonial official.

This book which is at once both scholarly in method and interesting in style forms a valuable contribution to the literature in the double field of colonial government and colonial tariffs. It is to be hoped that Professor Allin will proceed with his expressed intention of incorporating in a future volume a study of the larger issues of colonial nationalism, imperial defence, and preferential

trade which have attended the maturer development of the Australian colonies.

THEODORE H. BOGGS,

University of British Columbia.

NEW BOOKS

- ARMSDEN, J. *The financial crisis of August, 1914. Its nature, and how it was met.* (Chichester, Eng.: R. J. Axford. 1918. Pp. 18. 4d.)
- CHASE, H. S. *Governmental sinking funds, serial bonds and depreciation reserves. Read at the annual meeting of the Dominion Association of Chartered Accountants at Montreal, Sept. 18-20, 1918.* (Boston: Harvey S. Chase, 84 State St. 1918. Pp. 18.)
- COMBAT, F.-J. *Taxes et impôts nouveaux.* (Paris: Berger-Levrault. 1918.)
- DECAMPS, J. *La guerre et les finances de la France.* (Paris: Tenin. 1918. 2.50 fr.)
- FITZPATRICK, F. A. *Budget making in a democracy. A new view of the budget.* (New York: Macmillan. 1918. Pp. 319. \$1.50.)
To be reviewed.
- GILBERT, A. B. *American cities. Their methods of business.* (New York: Macmillan. 1918. Pp. 240. \$1.50.)
- JÈZE, G. *Les finances de guerre de la France. La politique financière du gouvernement pendant les années 1915 et 1916.* (Paris: Giard & Briere. 1918. 7 fr.)
- LAGAILLARDE, J. *Les nouvelles taxes sur les paiements et le nouveau droit proportionnel sur les effets de commerce.* (Toulouse: The author, 42 rue Bayard. 1918. Pp. 250.)
- MESNIL-THORSET, A. S. *Le contrôle interallié de la dette allemande.* (Paris: Téqui. 1918. Pp. 15.)
- PONTIFEX, B. *The Canadian income war tax act, 1917; with explanations by the minister of finance and instructions of finance department. Table of tax payable by individuals and companies fully indexed.* (Toronto: Finance Dept. 1918. Pp. 43.)
- ROBERTSON, J. M. *The new tariffism.* (London: Allen & Unwin. 1918. Pp. 425. 2s. 6d.)
- SMITH, H. H. *How to pay for the war, by developing the latent resources of the empire.* (London: Tropical Life, Pub. Dept. 1918. 5s.)
- SNELLING, W. E. *Coal mines excess payments, guarantee payments and levies for closed mines.* (New York: Pitman. 1918. Pp. 176. \$5.)
- STILWELL, A. E. *The great plan.* (London: Hodder & Stoughton. 1918. 3s. 6d.)

- VALLÉE, C. *Comment faire face aux budgets d'après-guerre?* (Paris: Rivière. 1918. 3 fr.)
- VILLARD, H. G. and WILLOUGHBY, W. W. *The Canadian budgetary system.* (New York: Appleton. 1918. Pp. xii, 379. \$2.50.)
To be reviewed.
- WOODWARD, K. W. *Taxation of woodlots.* (Durham, N. H.: New Hampshire College Exten. Service. 1918. Pp. 19.)
- City budget facts, 1918. An analysis of Toronto's budget for 1918.* (Toronto: Bureau of Municipal Research, Traders Bank Bldg. 1918. Pp. 25.)
- Constitutional conventions in Illinois.* (Springfield, Ill.: Legislative Reference Bureau. 1918. Pp. 156.)
A discussion of taxation in Illinois, pages 86 to 96.
- Corporate earnings and government revenues.* Sen. Doc. no. 259, 65 Cong., 2 Sess. (Washington: Supt. Docs. 1918. Pp. 388.)
- Excess condemnation. Why the city of Chicago should have the power, in making public improvements, to take property in excess of actual requirements. Lessons to be drawn from certain unfortunate aspects of the Twelfth Street and Michigan Avenue widening projects and the proposed Ogden Avenue Extension.* (Chicago: Chicago Bureau of Efficiency, 315 Plymouth Court. 1918. Pp. 58.)
- Financial statistics of cities having a population of over 30,000.* (Washington: Bureau of the Census. 1918. Pp. 373.)
- Fourth yearbook of the city managers association.* (Auburn, Maine: Harrison G. Otis, Secretary. 1918. Pp. 128. 25c.)
- The governor's budget in Maine, 1917.* (New York: Bureau of Municipal Research. 1918. Pp. 105. 50c.)
- Income tax, British, colonial, and foreign.* (London: National Bank of South Africa. 1917. Pp. 60.)
- Iowa law relating to collateral inheritance tax; a complete compilation of the Iowa statutes relating to collateral inheritance tax, with annotations from the courts of Iowa and New York; including excerpts from treaties now existing between the United States and foreign states.* (Des Moines: State of Iowa. 1918. Pp. 170.)
- National conference on war economy; a series of addresses and papers presented at the national conference on war economy held under the joint auspices of the Bureau of Municipal Research and the Academy of Political Science in the City of New York, July 5-6, 1918.* (New York: Acad. Pol. Sci. 1918.)
- Twenty-four billion.* (New York: Bankers Trust Co. 1918. Pp. 31.)
Gives suggestions for the apportionment of the year's expenses among the 23,500,000 families in the United States.

Population and Migration

NEW BOOKS

CUMMINGS, J. *Negro population, 1790-1915*. (Washington: Bureau of the Census. 1918. Pp. 844.)

This volume recently issued by the Bureau of the Census contains the most complete statistical presentation of material bearing on the Negroes ever published. After the completion of the data in the twelfth census the well known Bulletin 8 was prepared by Professor Willcox and Dr. DuBois. This bulletin has been up to date the greatest standby of all students of the Negro problem. When the statistics of the thirteenth census became available a brief bulletin on the Negro population of the United States, 1910, was issued which consisted largely of a collection of all the data relating to Negroes scattered throughout the volumes of the thirteenth census reports. The present publication not only brings together all the statistics on the Negroes that have ever been published by the census but adds to them a very large amount of data, by counties, that have never been available before, as well as interpretive text which is a model of thoroughness and lucidity.

The report consists of seven parts as follows: (1) Growth and geographic distribution, 1790-1910; (2) Migratory displacement and segregation; (3) Physical characteristics; (4) Vital statistics; (5) Educational and social statistics; (6) Economic statistics; (7) General tables. The mere enumeration of these parts shows that the subject has been treated from a number of different points of view and also that the material is arranged with a view to a logical presentation of facts rather than in a manner, not unusual to census publications, of following the order of the questions in the schedules rather than attempting logical arrangement. There is a chapter in the second part on Urbanization which is highly significant; in part 4 there is a chapter on Fertility based on the proportion of children to women of child-bearing age; and part 5 contains a chapter on the delinquent, defective, and dependent classes.

The report is a vast storehouse of information prepared with great care and the ripe scholarship characteristic of the author. It is illustrated by a number of maps and diagrams which in themselves present an interesting feature, for they are a distinct departure from the traditional methods of graphic presentation and are as effective as they are original. An interesting feature of the report is that the tabulations were prepared by a corps of Negro clerks working under the direction of three members of their own race, Robert A. Pelham, Charles E. Hall, and William Jennifer.

E. A. GOLDENWEISER.

DUBLIN, L. I. *Mortality among women from causes incidental to child-bearing*. Reprinted from the *American Journal of Obstetrics and Diseases of Women and Children*, vol. LXXVIII, no. 1. (New York: William Wood & Co. 1918. Pp. 18.)

- HOFFMAN, F. L. *The mortality from degenerative diseases.* (Newark, N. J.: Prudential Ins. Co. 1918. Pp. 12.)
- HUNTER, F. B. *Infant mortality. Result of a field study in Waterbury, Connecticut, based on births in one year.* Infant mortality series, no. 7. Bureau publication no. 29. (Washington: Children's Bureau. 1918. Pp. 157.)
- JENNINGS, H. J. *The coming economic crisis.* (London: Hutchinson & Co. 1918. Pp. 136. 3s. 6d.)
- LEDBETTER, E. E. *The Slovaks of Cleveland, with some general information on the race.* (Cleveland: Americanization Committee. 1918. Pp. 32. 25c.)
- MILLARD, C. K. *Population and birth control.* (Leicester, Eng.: W. Thornley & Son. 1917. Pp. 48. 1s.)
- POPENOE, P. and JOHNSON, R. H. *Applied eugenics.* (New York: Macmillan. 1918. Pp. 459. \$2.10.)
- REUTER, E. B. *The mulatto in the United States; including a study of the role of mixed-blood races throughout the world.* (Boston: Badger. 1918. Pp. 417. \$2.50.)
- DE ROUX, LE MARQUIS. *L'état et la natalité.* (Paris: Nouvelle Librairie Nationale. 1918.)
- SAVORGNAN, F. *Le problème de la population après la guerre.* (Bologna: N. Zanichelli. 1918. Pp. 11.)
- SCHROEDER, T. *List of references on birth control.* (New York: H. W. Wilson Co. 1918. Pp. 52.)
- WOODSON, C. G. *A century of negro migration.* (Washington: Assoc. for Study of Negro Life and Hist. 1918. Pp. 221. \$1.)
- Annual report for 1916 of the registrar-general of births, marriages, and deaths.* Cd. 8869. (London: Wyman. 1918. 5s.)
- Birth statistics for the registration area of the United States, 1916.* (Washington: Bureau of the Census. 1918. Pp. 96. 20c.)

Social Problems and Reforms

NEW BOOKS

- BARNES, H. E. *A history of the penal, reformatory and correctional institutions of the state of New Jersey: analytical and documentary.* (Trenton, N. J.: MacCrellish and Quigley Co. 1918. Pp. 654.)

This thorough analysis of the penal system of New Jersey is of more than local interest. "The fact that New Jersey experimented with practically all the chief types of penal institutions which have been tried in this country" makes an account of their development of general value. The book is, moreover, a scientific study made in the light of modern political and social science. It constitutes volume II of the New Jersey Prison Inquiry Commission report of 1917.

About half the volume is devoted to historical analysis, which is subdivided topically and by institutions. While the account is somewhat detailed in parts, excellent summaries are provided. The book is indexed and contains a bibliographical note on sources for New Jersey material. Frequent references in footnotes support important statements in the text. The documents of the second half of the book are accompanied by notes by the author calling attention to their significance.

While Dr. Barnes naturally leaves the matter of formal recommendations to the commission, his study is a forcible argument for the further application of the principles of scientific criminology to the penal system. With crime prevention and criminal reformation as the goals the individualization of the treatment of offenders is the guiding principle of his critical analysis.

Few criminologists would quarrel with the program of penal reform implied in Dr. Barnes's book. Some would perhaps qualify their faith in the Binet-Simon tests and the Freudian analyses. Others might stress more prominently the blighting effect of wretched county penal institutions and methods upon even the most ideal state system. But such criticisms would be merely matters of emphasis. Dr. Barnes's penology is fundamentally sound. His study is a real contribution to penal reform.

The reviewer believes, however, that the author's greatest service through this study is in the field of practical politics. He points out how legislatures are prone to make patchwork alterations when fundamental changes alone will suffice; or how they reluctantly make appropriations for cell-blocks which are potentially overcrowded before they are completed. He tells of the preservation in a penal code of 1898 of "the ancient statute which dates back as far as the Pauline Epistles and the Theodosian Code of 438, prescribing punishment for 'false prophets'." Everywhere he shows how efficient administration has been made impossible by the constant use of the appointing power to pay political debts. But these evils, he concludes, are but symptoms of the fundamental difficulty which "in the past has been that society has not understood the nature of the causation of crime." Because of this lack of understanding society has permitted partisan control of the penal system. Partisan control has meant inefficient when not corrupt administration. And finally inefficiency has prevented the application of scientific penological principles. The fundamental problem then is educational.

In the reviewer's judgment Dr. Barnes has served not only the state of New Jersey, but all who are interested in penal and political reform.

DONALD R. TAFT.

Ohio State University.

BECK, J. M. *The reckoning. A discussion of the moral aspects of the peace problem, and of retributive justice as an indispensable element.* (New York: Putnams. 1918. Pp. xxx, 225. \$1.50.)

BEST, H. *The blind, their condition and the work being done for them in the United States.* (New York: Macmillan. 1918. \$3.)

BREMNER, R. L. *The housing problem in Glasgow.* (Glasgow: Scottish Council for Women's Trades. 1918. Pp. 28. 6d.)

CLAGHORN, K. H. *Juvenile delinquency in rural New York.* Depend-ent, defective, and delinquent classes series, no. 4. Bureau publica-tion no. 32. (Washington: Children's Bureau. 1918. Pp. 199.)

COMMONS, J. R. *Industrial education and dependency.* Revised edi-tion. (Madison: Univ. Wis. 1918. Pp. 20. 10c.)

COOKE, M. L. *Our cities awake. Notes on municipal activities and administration.* (Garden City, N. Y.: Doubleday, Page & Co. 1918. Pp. xxi, 351. \$2.50.)

EARP, E. L. *The rural church serving the community.* (New York: Abingdon Press. 1918. Pp. 144.)

FAAST, B. F. *Rural planning and colonization.* (New York: Na-tional Real Estate Journal. 1918. Pp. 14.)

GALPIN, C. J. *Rural life.* (New York: Century. 1918. \$2.50.)

GEBHART, J. C. *Housing standards in Brooklyn.* (Brooklyn, N. Y.: Tenement House Committee of the Brooklyn Bureau of Charities. 1918. Pp. 60.)

An intensive statistical study summarizing data relating to more than 3,000 apartments in regard to sanitary conveniences, water supply, bathrooms, overcrowding, lodgers, types of houses, pre-valence of tuberculosis, rents, and nationalities of tenants.

GRANT, P. S. *Fair play for the workers. Some sides of their malad-justment and the causes.* (New York: Moffat, Yard. 1918. Pp. xii, 368. \$1.60.)

The author, keenly alive to the significance of different phases of social discontent and maladjustment, presents chapters on: The worker's lost status and his unrest; The working-man and patriot-ism; The Americanizing of the immigrant worker; Administration of the law and the worker; Physical betterment, the function of the state; Unjust laws and how to remedy them; Are rich Americans aiding Americanization? The waste of ignorance and competition; The economic influence of religion; Labor organization and its in-fluence on our problems. He sharply arraigns current indifference and supports his indictment by abundant quotations from contempo-rary reformers.

HARRISON, S. M. *Social case workers and better industrial conditions.* (New York: Charity Organization Department of the Russell Sage Foundation. 1918. Pp. 23. 10c.)

HART, J. K. *Democracy in education; a social interpretation of the history of education.* (New York: Century. 1918. Pp. 418.)

HART, H. H. *The war program of the state of South Carolina.* (New York: Russell Sage Foundation. 1918. Pp. 61.)

- HUSSLEIN, J. C. *The world problem; capital, labor, and the church.* (New York: Kenedy. 1918. Pp. 296. \$1.25.)
The author is lecturer in the Fordham University School of Sociology.
- JOHNSON, F. E. *A bibliography of social service.* (New York: Federal Council of the Churches of Christ in America, 105 East 22d St. 1918.)
- KNIGHT, A. S. and DUBLIN, L. I. *The relation of cancer to economic condition.* (New York: Metropolitan Life Ins. Co. 1917. Pp. 10.)
- KOREN, J. *Summaries of state laws relating to the insane.* Revised by S. W. HAMILTON and R. HABER. (New York: National Committee for Mental Hygiene. 1918. Pp. 272.)
- MANN, C. R. *A study of engineering education.* (New York: Carnegie Foundation for the Advancement of Teaching, 576 Fifth Ave. 1918. Pp. 139.)
- MARBURG, T. *League of nations. Its principles examined.* Vol. II. (New York: Macmillan. 1918. Pp. 137. 60c.)
- MORGAN, E. L. *Mobilizing the rural community.* Extension bull. no. 23. (Amherst, Mass.: Mass. Agricultural College. 1918. Pp. 54.)
- RICHMOND, M. E. *War and family solidarity.* (New York: Russell Sage Foundation. 1918. Pp. 14.)
- ROUTZAHN, E. G. and M. S. *The A B C of exhibit planning.* (New York: Russell Sage Foundation. 1918. Pp. 234. \$1.50.)
- SIMPSON, J. Y. *Some notes on the state sale, monopoly and subsequent prohibition of vodka in Russia.* (London: King. 1918. 1s. 6d.)
- SMITH, E. J. *Race regeneration.* (London: King. 1918. Pp. 223. \$2.25.)
- STEVENS, E. F. *The American hospital of the twentieth century; a treatise on the development of medical institutions, both in Europe and in America, since the beginning of the present century.* (New York: Architectural Record Pub. 1918. Pp. 274. \$5.)
- TABER, C. W. *The business of the household.* (Philadelphia: Lippincott. 1918. \$2.)
- TEAD, O. *The people's part in peace. An inquiry into the basis for a sound internationalism.* (New York: Holt. 1918. Pp. 156. \$1.10.)
- WRIGHT, L. and HAMBURGER, A. M. *Education and occupations of cripples, juvenile and adult; a survey of all the cripples of Cleveland, Ohio, in 1916, under the auspices of the Welfare Federation of Cleveland.* (New York: Red Cross Institute for Crippled and Disabled Men. 1918. Pp. 227.)
- Housing in England and Wales.* Reconstruction problems, 2. (London: Ministry of Reconstruction. 1918. Pp. 24.)

Medical examination campaigns. No. II. Framingham monograph no. 4. (Framingham, Mass.; Community Health Station. Nov., 1918. Pp. 48. 5c.)

New towns after the war. An argument for garden cities. (London: Dent. 1918. Pp. 84. 1s.)

Aims of reconstruction. Reconstruction problems, 1. (London: Ministry of Reconstruction. 1918. 2d.)

Reconstruction after the war. Journal of the National Institute of Social Sciences, vol. IV. (Boston: Boston Bk. Co. Apr., 1918. Pp. 242.)

Includes brief papers on: Financial reconstruction after the war, by George E. Roberts; Labor laws in the crucible, by John B. Andrews; Problems of immigration and the foreign born after the war, by Henry Pratt Fairchild; and The free traders of America, by George Haven Putnam.

Sanitation of rural workmen's areas. Public health report for September 6, 1918. (Washington: U. S. Public Health Service. 1918.)

Among the topics discussed are the collection of garbage and excreta, water supply, draining, and types of housing for industrial villages.

Standard catalog, sociology section; one thousand titles of the most representative and useful books on social, economic and educational questions. (New York: H. W. Wilson Co. 1918. Pp. 99. \$1.)

Insurance and Pensions

Workmen's Compensation and Insurance. By DURAND HALSEY VAN DOREN. (New York: Printed for the Department of Political Science of Williams College by Moffat, Yard and Company. 1918. Pp. x, 332. \$2.00.)

This new sketch of workmen's compensation was prepared in successful competition for the David A. Wells prize, which is offered annually to Williams College men within one year before graduation or three years after. It gives the legal and historical basis of compensation, summarizes American legislation, presents systematically the author's ideas as to a model statute, traces at length the experience of New Jersey, states the attitude of American labor, describes the federal soldiers' and sailors' insurance act of 1917, and concludes with a short chronological bibliography.

As the fruit of a narrowly limited competition among young writers, the book has merit, in fact, high merit. It shows a great deal of painstaking study. In narrowly literal and statistical ways it is remarkably accurate. Its author has a good general appre-

ciation of his subject; and it is well written. Through it any reader can come to a fairly clear understanding of workmen's compensation.

Yet closely limited prize competitions are not likely to produce masterpieces. And one must doubt the wisdom of putting such a work as the present before a general public which already had two excellent little manuals of substantially similar scope, Blanchard's *Liability and Compensation Insurance* and Rhodes' *Workmen's Compensation*. For, although Mr. Van Doren's volume makes a much more imposing appearance, with thick paper, broad margins, large type, heavy leading, and gilt top, there is in it less matter, at least less relevant matter than in either of the two other manuals with which naturally it will be compared. Indeed, were eliminations made of some duplications and a few discussions which, if not exactly extraneous, could well be spared from so brief a work, the strictly relevant matter might be found not much more than half that in either of the two other books.

The present work also lacks something in the way of symmetry or proportion, as well as in logical arrangement and development. Why a full chapter, and a very fragmentary one, on the attitude of labor and not a word as to the attitude of employers? Why much the longest chapter of all on the trite topic of New Jersey's shortcomings? Why include a full account of the soldiers' and sailors' insurance act, its family allotments and its life insurance as well as its compensation features? At least, why all of these while essential matters of compensation proper are clipped at a hundred points?

It would be ungracious to cumulate adverse criticisms. They would be of a character now easily to be anticipated. Perhaps the author's self-imposed brevity may explain the greater number of his failings, as in defining workmen's compensation by reference only to the employee's legal rights (p. 3) and in stating the employer's common law obligations to make his employment safe (pp. 8-9). But mere lack of space cannot account for the very imperfect statement of reasons for the common American denial of compensation to domestic and farm workers (pp. 185-6) and to those affected by industrial diseases (pp. 191-2). It is a trivial error to credit New Jersey with the earliest of the permanent American compensation laws (p. 178): it is more serious error to take the first Kentucky statute (p. 69) and the present federal one (p. 107) as providing compulsory compensation.

Only from imperfect knowledge could a writer tracing the all too slow advance toward adequate medical care for injured employees (p. 119) fail to mention Connecticut, the first of three states to provide unlimited care. Organized labor has been much less favorable to compensation than Mr. Van Doren supposes (ch. VII), since no longer ago than 1909 Mr. Gompers himself declared his preference for an improved liability law. Nor is it fair to say that private insurance carriers are "discredited as a force for reducing accidents" (p. 172).

While the English style, on the whole, is superior to that with which American economists often afflict their readers, there are a few glaring lapses, as at the bottom of page 17 and in the reference to "fore-thoughted ideas" (p. 282). It is something worse than bad English to name a writer (p. 243) and then charge him with "a temporary hiatus of common sense." And, perhaps, it would be better not to accuse American legislators of "craven fear" and "disgraceful subterfuges" (p. 298).

Two conspicuous errors may be charged to the printer or the proof-reader. "Not *less* than five years after" (p. 291) should be "Not *later* than five years after." "Uniform *accuracy*" (p. 297) should be "uniform *adequacy*."

WILLARD C. FISHER.

New York University.

NEW BOOKS

- DOMINGE, C. C. and LINCOLN, W. O. *Fire insurance inspection and underwriting; an encyclopedic handbook*. (New York: Spectator Co. 1919. Pp. 511. \$5.)
- FITCH, J. A. *For value received. A discussion of industrial pensions*. (New York: Survey Associates. 1918. 5c.)
- FLITCRAFT, A. J. *Life insurance manual; application agreements and complete policy forms of seventy-one life insurance companies*. Thirty-first annual edition. (Oak Park, Ill.: A. J. Flitcraft. 1918. Pp. 1318.)
- FORBES-LINDSAY, C. H. A. *Business insurance, a concise description of the adaptation of life insurance to corporations, business firms, and individuals*. (New York: Spectator Co. 1918. Pp. ix, 114.)
- FRANKEL, L. K. and DUBLIN, L. I. *Visiting nurse and life insurance. A statistical summary of results of eight years*. Reprinted from *American Statistical Association Quarterly Publications*, June, 1918. (New York: Metropolitan Life Ins. Co. 1918. Pp. 55.)
- FURST, C. and KANDEL, I. L. *Pensions for public school teachers*.

Bulletin no. 12. (New York: Carnegie Foundation for the Advancement of Teaching. 1918. Pp. xi, 85.)

There are sixty-seven teachers' pension funds in the United States, only a few of them solvent and most of them certain to bring some sort of disappointment to the men and women who have paid their scanty savings into them. In the hope of aiding the readjustment of the faulty funds and of preventing the repetition of the mistakes of the past, the Carnegie Foundation has published this compendium of information on the subject.

The introduction to the study consists of a brief report of the committee on salaries, pensions, and tenure of the National Education Association, giving a general statement of the problem. The first part of the volume is entitled *The Social Philosophy of Pensions* and in spite of its title is a readable, sane presentation of the essential points to be considered in establishing a pension system. The non-contributory plan is condemned as heartily as the contributory plan is approved, while compulsory membership is pointed out as desirable and necessary. The existing superannuation, the writers claim, is a burden to be assumed by the employer whenever a new system is inaugurated, though the possibility of making membership for the older employees optional is suggested as an alternative. An interesting feature of the volume is the positive stand taken by the writers on the matter of age of retirement; length of service alone usually means retirement at an early age, as at fifty or even forty-five, and such retirement "is economically and socially unjustifiable." Even sixty is a generous age for voluntary retirement and at a later point, sixty to sixty-five is mentioned as appropriate, with seventy as the compulsory age. The benefits of a pension system should include a pension on retirement, provision in case of disability and arrangement for return of contributions in case of separation from the service or death. Throughout the whole chapter, special emphasis is placed on the absolute necessity of accumulating in advance the capital fund necessary to provide the benefits by current contributions from both the teacher and the employer. All systems should be subjected to periodical actuarial investigations.

This section of the book is followed by an extensive review of the more important systems now in operation, with a tabular statement of their provisions. One valuable feature is the outline of a system prepared for the public schools of Vermont, giving the statistical and actuarial tables used in drafting the plan.

The value of the book is its clear statement of the essential points involved in the problem and its emphasis on the fact that pensions cost money which can only be secured by long periods of payment.

HENRY J. HARRIS.

HAYDEN, H. R. *Annual cyclopedia of insurance in the United States, 1918.* (Hartford, Conn.: C. B. Caverly. 1918. Pp. 601.)

HERSEY, H. *Helpful hints on war risk insurance, compensation, al-*

- lotments and allowances.* (Fort Hancock, N. J.: Post Exchange. 1918.)
- HOGGE, J. M. and GARSIDE, T. H. *War pensions and allowances.* (London: Hodder & Stoughton. 1918. Pp. 463.)
- JONES, F. R. *Enactments of 1918, affecting the Massachusetts workmen's compensation law, August, 1918.* (New York: Workmen's Compensation Publicity Bureau, 80 Maiden Lane. 1918. Pp. 7.)
- JONES, F. R. *Workmen's compensation law of Porto Rico, effective July 1, 1918.* (New York: Workmen's Compensation Publicity Bureau. 1918. Pp. 22.)
- LARTER, A. E. and LEMMON, W. S. *The L. & L. rating system, designed to effect standardization of fire insurance rating based upon an analysis of conditions contributing to the fire loss.* Revised May, 1918. (New York: The author. 1918.)
- NICHOLS, W. J. *The co-insurance clause. An address delivered before the one hundred and twenty-ninth meeting of the Insurance Society of New York on March 7, 1916.* (New York: Ins. Soc. of N. Y. 1918. Pp. 26.)
- RICHARDS, B. *The cotton bale as a source of loss by fire.* (New York: Am. Exchange Nat. Bank. 1918. Pp. 11.)
- Enactments of 1918, affecting the Massachusetts workmen's compensation law, August, 1918.* (New York: Workmen's Compensation Publicity Bureau. 1918. Pp. 7.)
- Fire insurance in New England for ten years, December 31, 1908-December 31, 1917, inclusive.* Nineteenth edition. (Boston: The Company, 141 Milk St. Pp. 241. \$7.50.)
- New York state workmen's compensation law. With amendments, additions and annotations to July 1, 1918.* (Albany, N. Y.: Statistics and Information. 1918.)
- Present issues before the contributors to the Philadelphia teachers' retirement fund.* (Philadelphia: Teachers' Retirement Fund. 1918. Pp. 28.)
- An explanation of the alternatives before the teachers if they decide to remedy the situation before it becomes worse. Apparently the safest course to adopt is to amalgamate with the state fund, which would then assume part of the accrued liabilities. H. J. H.
- A report on the condition of the teachers' retirement fund, including service and mortality tables based on the actual experience of teachers in Philadelphia.* (Philadelphia: Teachers' Retirement Fund. 1918. Pp. 51.)
- An actuarial valuation of the fund by Mr. George B. Buck, who finds a deficit of about nine million dollars and analyzes the causes of the threatened bankruptcy. A series of tables which present the actual experience of the fund as regards death, withdrawal, etc., is an important contribution to our stock of information on the subject.

H. J. H.

Soldiers pensions regulations. Proceedings of the special committee, etc., comprising the evidence taken and papers submitted and received April 10 to May 20, 1918. (Ottawa: Printed by order of Parliament. 1918. Pp. xv, 349.)

Fest pocket life agents brief. Tenth edition. (Chicago: Spectator Co. 1918. Pp. 364. \$1.)

Pauperism, Charities, and Relief Measures

NEW BOOKS

FELT, D. E. *Organized charities and social welfare work. From the viewpoint of an employer.* (Chicago: Felt & Tarrant Mfg. Co. 1918.)

SLINGERLAND, W. H. *Child welfare work in Oregon.* (Eugene: Univ. of Oregon. 1918. Pp. 131.)

WARNER, A. C. *American charities.* Revised by M. R. COOLIDGE. (New York: Crowell. 1919. Pp. xix, 490. \$2.50.)

Annual report of the Charity Commission for England and Wales for 1917. Cd. 9008. (London: Wyman. 1918. 2d.)

Socialism and Co-operative Enterprises

NEW BOOKS

BECKITT, M. B. and BECHHOFFER, C. E. *The meaning of national guilds.* (London: Palmer & Hayward. 1918. Pp. 468. 7s. 6d.)
To be reviewed.

BEVAN, E. *German social democracy during the war.* (London: Allen & Unwin. 1918. 5s.)

BUBNOV, J. V. *The coöperative movement in Russia: its history, significance, and character.* (Manchester, Eng.: Coöperative Prtg. Soc. 1918.)

CLAESSENS, A. and FEIGENBAUM, W. M. *The socialists in the New York assembly.* (New York: Rand School of Social Science. 1918.)

GEBHARD, H. *Coöperation in Finland.* (London: Williams & Norgate. 1918. 5s.)

HUGHES, T. I. *State socialism after the war.* (New York: Brentano. 1918. \$1.50.)

LATORRE, G. *Le socialisme en Espagne depuis 1886.* (Madrid: Imp. de los Sucesores de Hermandado. 1918.)

LAILDER, H. W. *Public ownership throughout the world. A survey of the extent of government control and operation.* (New York: Rand School of Social Science. 1918. Pp. 48.)

LIEBKNECHT, K. *The future belongs to the people.* Edited and translated by S. ZIMAND, with an introduction by WALTER WEYL. (New York: Macmillan. 1918. Pp. 144. \$1.25.)

Verbatim report of speeches and messages of Liebknecht during the war, including the May Day speech of 1916 which caused his imprisonment. The Reichstag transcript shows the passage which called forth the approval of social democrats and the cautions given by the presiding officer. The addresses deal rather with the conduct of the war than with economic questions.

MACKEY, J. *Americanized socialism*. (New York: Boni & Live-right. 1918. Pp. x, 191. \$1.25.)

This book presents a variety of socialism so mild and sugar-coated that even the most conservative could read it without undue alarm. It is socialism without Marx. The reader is not mystified with surplus value, is not distressed with the class struggle, and is not terrified by the social revolution. Socialism is defined in the words of Hillquit, as the "public or collective ownership and operation of the principal instruments and agencies for the production and distribution of wealth." The author describes the chaotic condition of capitalistic industry and the perversion of private property into a means of exploitation. The socialization of industry is conceived as the application of the principles of efficiency engineering to the social problem. The transition to socialism will come gradually and with due regard for established property rights.

The development of the argument is logical although the presentation is not particularly forceful. The chief criticism to be offered is that fundamental social changes such as these do not usually take place in an orderly and peaceful manner. In the light of history and especially in view of present-day events one can hardly expect a transition to socialism without violent revolution and the bitter struggle of classes.

G. L. ARNER.

MARU, I. *Catolicismo social y socialismo al desnudo, o los problemas de carne y hueso*. (Tafalla: Imp. y. Lib. de Valero Albéniz. 1918.)

SANDERS, W. S. *Pan-German socialism (neo-Marxism)*. Reprinted from *The New Age*. (London: W. Smith & Son. 1918. Pp. 24.)

SMITH, L. S. *Coöperation for farmers*. (London: Williams & Norgate. 1918.)

TODD, A. M. *Municipal ownership, with a special survey of municipal gas plants in America and Europe*. (Chicago: Public Ownership League of America. 1918.)

TUFTS, J. H. *The ethics of coöperation*. (Boston: Houghton Mifflin. 1918. Pp. 73. \$1.)

WALSH, C. M. *Socialism and feminism, with an introduction on the climax of civilization*. Three volumes. (New York: Sturgis & Walton. 1917. Pp. x, 150; viii, 518; vi, 393.)

Inter-allied labour and socialist conference. (London: Labour Party, 33 Eccleston Sq. 1918. 6d.)

A program of social reconstruction after the war. (New York: Social Democratic League of America, 277 Broadway. 1918. Pp. 18.)

Statistics and Its Methods

The History of Statistics. Their Development and Progress in Many Countries. In Memoirs to Commemorate the Seventy-Fifth Anniversary of the American Statistical Association. Collected and edited by JOHN KOREN. (New York: The Macmillan Company. 1918. Pp. xii, 773. \$7.50.)

This is, I believe, the only book in English, certainly the only important one, on the history of statistics, a remarkable fact when we remember that statistics as ordinarily conceived originated in London and that the oldest societies devoted to the subject are in England and the United States. A comparison between the present work and books or articles in other languages carrying the same or a similar title shows how differently the subject is conceived. Writings in French, Italian, or German on the history of statistics describe the development of statistics under the hands of private authors or university teachers; this book describes its development by legislators and administrators. The difference is suggested in the "their" of the title, for statistics as a collection of facts expressed in numerical form is a plural noun, but statistics as a method or a science, like mathematics, is a singular noun. The same difference is suggested by the introduction and by the title of the second and main division of the work, History and Development of Official Statistics in Many Countries. But its clearest statement is at the beginning of Professor Faure's memoir on the development of statistics in France. He says: "In the domain of history it has long been the habit . . . to confuse the practice of statistics with the theory of statistics. . . . It is necessary to study them separately . . . just as it is important to study separately the history of economic fact and the history of economic theory" (p. 217).

The present work, then, is mainly a history of the practice of statistics or of the efforts made by the various countries to gather and present information in numerical form about their own life and activities. Nearly one third of the space is devoted to the United States, with one address by the editor on the History of the Association, another by Dr. North on Seventy-five Years of Progress in American Statistics, and two memoirs, one on Federal Statistics, by Dr. John Cummings, the other on State Statistics, by Director Charles Gettemy.

In writing the history of statistical practice it is evidently hard to find and keep the thread of connection. The writers of these

memoirs do not fully agree among themselves as to what that thread is. Some evidently take the acts of the legislative and administrative agencies as their subject-matter; others regard the practice of statistics and its development as largely a product of individuals and give generous space for describing their work. Apparently the American writers center their attention on federal and state statutes, the European writers give more space to the persons involved. Perhaps the most significant contribution on American statistics is that of Dr. Cummings on Federal Statistics, which fills more than one seventh of the volume and more space than the three articles on other divisions of American statistics. In this valuable monograph the administrative statistical agency, like the Bureau of Education, is the unit for study. I doubt that this is better, though it certainly is easier, than to center attention on the kinds of statistical information obtained. Surely it would be more helpful to inform the inquirer that he could get some kinds of educational statistics from the annual reports of the Bureau of Education, illiteracy statistics from the federal censuses and those of certain states, etc., and to trace how these returns grew up and how the agencies gathering them have changed and developed. Perhaps it would have been still better to trace also the part that notable men have played in the history of American statistics, showing, for example, the influence of men like Shattuck, Walker, and Billings on our census development, Wright on the development of labor statistics, etc. A history of legislative and administrative changes tends to become mechanical; it is the persons behind these changes who vitalize the story.

In this respect the writers on foreign statistics seem as a rule to have interpreted their themes in a more significant way. Sir Athelstane Baines rightly puts John Graunt (not Grant) at the head of his tale of the growth of British statistics and finds fitting places for Halley and Sinclair, Rickman and Porter; Dr. Julin makes very clear the seminal influence of Quetelet in Belgium; Professor Faure in what seems to me the most valuable, as with the exception of that of Dr. Cummings it is the longest, paper in the volume shows how in their several fields Bodin and Sully and Colbert and Deparcieux and Necker and others contributed to build up the present system of French statistics.

But in pointing out this superiority of the best foreign work in the volume to that of our American scholars it would be unjust to

leave the impression that the latter are seriously at fault. Rather is it true that they have had to do pioneer work blazing trails or breaking ground while their European colleagues have had the work of many predecessors to build upon. Let me close by expressing my gratitude to the editor, his collaborators and the Association itself for this dignified and worthy memorial volume, and my belief that further monographic studies in this field are needed, some of which might profitably take as themes the statistical work and contributions of our best American statisticians.

WALTER F. WILLCOX.

Cornell University.

Statistical Methods Applied to Education. By HAROLD O. RUGG.
(Boston: Houghton Mifflin Company. 1917. Pp. xvii,
410. \$2.)

Another textbook in statistics has been added by Professor Rugg to our scant but growing list. In addition to chapters on the use, collection, tabulation, classification, and graphic presentation of educational data, there is one chapter on averages, one on variability, two on frequency curves, and one on correlation. The scope of the book, therefore, includes the practical phases of educational statistics and the simpler portions of statistical theory; and the treatment makes it an elementary text.

The material of the book is from the field of education. And the fact that the author is a professor of education raises the expectation of a superior teachable presentation of the subject. I think this natural expectation is fully met. My students who have used it as reference all testify that the presentation makes the methods easy to understand. The first chapter presents several most interesting results and uses of statistics without explaining the method or technique. This device greatly stimulates the interest of the student. The chapter on correlation is excellent from the pedagogical point of view. In this chapter the regression equations are discussed at length before the coefficient of correlation is introduced, which is, I think, the most teachable method. Many textbooks in mathematics and statistics are difficult for non-mathematical beginners because the explanations are greatly condensed. Professor Rugg's book, on the other hand, impresses one as sparing no words to explain.

The most noticeable defect is the treatment of the theory of

sampling. Sampling is discussed very scantily as a subdivision of the chapter on the normal frequency curve. Perhaps the author would reply that sampling is advanced statistical theory. Nevertheless, it is most important even for the beginner. Also the discussion of sampling not only seems inadequate but seems here and there to give the wrong impression. For instance, in discussing (p. 380) the fitting of the theoretical curve to the actual curve he suggests testing the frequency of the ordinates by subtracting or adding $3\sqrt{npq}$, saying nothing about the fact that although all ordinates may fall within these limits yet the actual curve will diverge from the normal curve beyond the limits of probability, because of the fact that it may be very improbable that two or more probable events will occur at the same time.

Furthermore, the author leaves the reader with the idea that the true arithmetic mean as contrasted with the sample arithmetic mean is based on all the cases that exist rather than on a theoretically infinite number of cases. "The *true* average spelling ability in the sixth grade of a large city system could be found by testing *all* of the 20,000 children, say, in all of the sixth grades in the system" (p. 224). If there were only five, say, Sanskrit scholars in the world, five would still be only a very small sample of a theoretically large number.

In discussing (p. 225) the distribution of averages of samples of 200 cases, he says "the best assumption" we can make is that they accord with the probability curve. This is a very important point in the theory of sampling. "The best assumption" could be considerably strengthened by reference to the extensive mathematics to prove that these averages follow the normal probability curve.

Also the designation of \sqrt{npq} as "the standard error of sampling" (p. 380 and p. 213) although commonly done, seems to be rather misleading description, as there are, of course, many other standard errors of samples.

The pitfalls of deceptive and spurious correlation are many. Professor Rugg warns of these, though sometimes vaguely (p. 254). ". . . such devices do not supply proofs of existing relationships . . . they are valuable in so far as they agree with sound logical analysis." The author also warns against the use of the correlation coefficient where the numbers are small, and has some very excellent discussion of this point. This is very important and timely, as a good many psychologists and education-

alists are using the coefficient of correlation when the number of cases are very few, sometimes as few as 10 or 12.

One might also quarrel with the author on his notation. Nearly every writer has some special notation peculiarly his own; that is to say, the formulas and constants in our text books have quite a variety of letters to represent each. Pedagogically, it would be better to approach still greater unity. The author uses in his chapter on variability the letter d to denote the variable differences between the arithmetic mean or the arbitrary origin of a variable and any number in the variable; while in the chapter on correlation the identical same difference is designated by x and x' (and y and y'). Σ which usually means "the sum of" is used in

another place (p. 278) to equal $\sqrt{\frac{\sum (n_x(\bar{y}_x - \bar{y})^2)}{N}}$. There are other questionable points in notation.

A few errors in printing or writing are almost inevitable in mathematical books. The following were observed. On page 20 and page 275, $r = \frac{101.75}{154.6} = 65.8$; and on p. 229, $\sigma_{\text{diff between } x \text{ and } y} = \sqrt{\sigma_{m \text{ of } x}^2 - \sigma_{m \text{ of } y}^2}$. This should be $\sqrt{\sigma_{m \text{ of } x}^2 + \sigma_{m \text{ of } y}^2}$. Also, on page 252 $r = \frac{\sum xy}{N \sigma_x \sigma_y}$. The second σ should have the subscript y .

The book contains nothing on partial correlation. I have always found that beginners get the idea of partial correlation as easily as that of correlation and are quite fascinated with it. Often in social statistics, partial correlation makes otherwise worthless correlation coefficients full of meaning.

An excellent bibliography of educational statistics is included. The statistical bibliography is brief, but I think should certainly contain Pearson's *Tables for Biometricians and Statisticians* which came out in 1914.

WILLIAM F. OGBURN.

University of Washington.

NEW BOOKS

ALLER, C. C. *An industrial survey of Seattle*. (Seattle: Bureau of Industrial Research, University of Washington. 1918. Pp. 64.)

During the first part of 1917 the investigation here presented was conducted by Mr. Aller as research fellow of the University of Washington under the auspices of the Seattle Chamber of Commerce, the Commercial Club and Manufacturers Association of Seattle. Industrial growth is considered under markets, raw ma-

terials, transportation, and manufacturing costs. As far as possible statistical and descriptive data are tabulated around these points.

CLARK, W. W. *A statistical study of 102 truants*. Reprinted from the *Journal of Delinquency*, vol. 3, no. 5. (Whittier, Calif.: Whittier State School. 1918. Pp. 213-234.)

FLORENCE, P. S. *Use of factory statistics in the investigation of industrial fatigue*. Columbia Univ. studies in political science, vol. LXXXI, no. 3. (New York: Longmans. 1918. Pp. 153. \$1.25.)

HARRIS, L. I. *A clinical study of the frequency of lead, turpentine and benzin poisoning in four hundred painters*. Reprinted from the *Archives of Internal Medicine*, August, 1918. (Chicago: American Medical Association, 535 North Dearborn St. 1918. Pp. 28.)

HARTLEY, E. F. *Census of the Virgin Islands of the United States, November 1, 1917*. (Washington: Bureau of the Census. 1918. Pp. 174.)

HOFFMAN, F. L. *Army anthropometry and medical rejection statistics*. (Newark, N. J.: The author, Prudential Ins. Co. 1918.)

KNIBBS, G. H. *Commonwealth and demography, 1917, and previous years*. Population and vital statistics bulletin no. 35. (Melbourne: Commonwealth Bureau of Census and Statistics. 1918. Pp. 285.)

Colonies and dominions, from 1901 to 1915. Statistical abstract, 53d number. (London: King. 1918. 2s.)

Statistics of income. Compiled from the returns for 1916 under the direction of the Commissioner of Internal Revenue. (Washington: Supt. Docs. 1918. Pp. 391.)

Resumen anual de estadística municipal (año XV, 1917). (Montevideo: Dirección de Censo y Estadística. 1918. Pp. 346.)

DOCUMENTS, REPORTS, AND LEGISLATION

Reconstruction Problems in Foreign Countries

The official sources of information in regard to the readjustment and reconstruction of the economic life of the countries of Europe may be classed in three groups: the bibliographies, the periodicals giving news items, and the special reports on particular subjects. The special reports have become so numerous that merely to list the titles of the reports of British official bodies would require about ten pages of the REVIEW. The following statement, therefore, is restricted to the official bibliographies and to those official periodicals which give in each issue current information on the subject.

The problem of the reëducation of the disabled soldier, while of the greatest importance, is not included here because of limits of space.

BIBLIOGRAPHIES.—The two most important bibliographies are those published by the United States Department of Labor. One is entitled *Reconstruction: A Preliminary Bibliography*, compiled by Laura A. Thompson (Washington, U. S. Department of Labor Library, 1918, pp. 56, mimeographed). The second is "List of References on Reconstruction," prepared by Mrs. V. B. Turner, and is to be found in the December, 1918, issue of the *Monthly Labor Review* (pp. 47-79).

The Library of Congress published in November, 1918, a *List of British Parliamentary Publications on Reconstruction, with some other Publications*. The Council of National Defense has prepared a *Bibliography on Reconstruction: British Parliamentary Papers and Selected Publications on Reconstruction* (Washington, 1918, mimeographed).

The titles and the terms of references of the British official bodies which have been created to study reconstruction problems are given in a publication of the Ministry of Reconstruction entitled *A List of Commissions and Committees set up to deal with Questions which will arise at the Close of the War* (London, January, 1918, Cd. 8916, pp. 34). This document lists 87 different bodies which are at work on all varieties of subjects: trade, finance, raw materials, scientific research, demobilization, labor, agriculture, public administration, housing, education, legal, aerial transport, etc. The book gives the names of the members of each body, the address, the definition of its field, and the date when a report has been published with the document number of the publication. The list is an impressive exhibit of the care and thoroughness with which the British are attacking the problem.

The Stationery Office of Great Britain published as of date December 31, 1915, a pamphlet entitled *List of Publications issued . . .*

in *Connection with Events Arising from the State of War*. The printer's mark shows that it went to press in February, 1916. Several supplements have been issued and they contain the titles, etc., of all official documents of the British government on the war.

OFFICIAL PERIODICALS GIVING CURRENT INFORMATION.¹—The United States Bureau of Labor Statistics, in its *Monthly Review*, publishes many articles, digests of reports, lists of publications, texts of laws, decrees, etc. It is the most important source in this field published in America.

The *Daily Commerce Reports*, published by the United States Bureau of Foreign and Domestic Commerce contain many items of value. They often consist of cable dispatches or of summaries of preliminary reports made to foreign governments, action taken by the larger commercial and industrial organizations, etc.

A very useful summary of news is contained in the *Daily Digest of Reconstruction News*, published by the Director's Office of the Council of National Defense, Washington. It gives important facts about the work of the departments of the federal government in this field, actions of the state and municipal governments, and of foreign governments. Important conferences, congresses, etc., are noted. As the periodical is issued in mimeographed form, only a very limited number of copies are available.

The most important source of information on reconstruction problems in Europe is the fortnightly periodical published by the General Staff of the British War Office entitled *Reconstruction Supplement to the Daily Review of the Foreign Press*. The first issue bears the date September 4, 1917, and the periodical is now in the third volume. Until the issue of August 13, 1918, the title-page of each number bore the notice "For Official Use Only"; but all the issues beginning with this date can now be purchased from the Stationery Office (Imperial House, Kingsway, London) like other official documents, the price of each issue being 6d. net. The information given consists of digests of articles in newspapers, articles in scientific journals, important government announcements, reports of congresses, news items gathered from all over the world, etc.

GREAT BRITAIN. The Ministry of Labour publishes two monthly periodicals giving news items; the first of these, the *Labour Gazette* is so well known as to need only mention; the second, *The Month's*

¹ In addition to the following titles, a number of confidential and semi-confidential periodicals have been published by foreign governments and by private organizations of employers, which will probably be released in a short time after the peace treaty is formally approved.

Work, gives news of the activities of the various branches of the ministry; the first issue bears the date July, 1918.

The Board of Trade publishes the weekly *Journal of the Board of Trade* which contains important articles on industry, commerce, etc. The *Journal of the Board of Agriculture* (monthly) covers the field of agriculture in the same manner. Both of these journals give digests of parliamentary papers.

The Ministry of Reconstruction is now publishing a series of convenient little pamphlets entitled *Reconstruction Problems*; these are short summaries, of about 25 pages each, and are sold for a few pence each through the usual agents for government publications. An idea of the scope of the pamphlets can be gained from the contents of the one entitled "Raw Materials and Employment" (No. 6). It devotes a few pages to each of the more important industries, such as the metal trades, textiles, boots and shoes, timber, paper. Under each industry is given the amount of raw material consumed annually, the home and the imported supply, the government's regulations of the imports and of production during the war and its announced policy as to these restrictions in the near future, the statistics of the persons employed, the prospects of placing the demobilized troops in these industries, the treatment of the workers in these industries after the return of the troops and the general prospects of the industry in the post-war period. The titles of the pamphlets to date are:

Housing in England and Wales,	Land Settlement,
Demobilization of the Army,	Commercial Forestry,
Raw Materials and Employment,	International Aspects of Recon-
Housing in Scotland,	struction,
New Fields for British Engineer-	Relations between Employers and
ing,	Employed,
Naval Demobilization,	Adult Education.
Re-settlement of Civil War Work-	
ers,	

A large number of additional pamphlets are in course of preparation.

FRANCE. For France, the one indispensable source of information is the *Journal Officiel*. This daily gazette contains reports of Parliamentary committees, action taken by the various departments of the government, laws enacted, decrees issued, etc. During the period of the war, it has been almost the only official source of information concerning the government of France.

The *Bulletin du Travail*, published monthly by the Ministère du Travail, is now devoting much space to reconstruction information in the field of labor, industry, etc. In a similar manner the weekly pub-

lication of the Ministry of Agriculture, *Feuille d'Informations*, gives a wide variety of information, especially as to government action.

Under the terms of the decree published on November 27, 1918, the Ministry of Armament has been transformed into a Ministry of Industrial Reconstruction. As yet no publications have been received from the new ministry, though its decrees, regulations, etc., are quoted in both of the publications noted above. A special ministry has also been created for the development of the war-devastated areas, entitled *Ministère des Régions Libérées*. Each of these new ministries will undoubtedly issue publications of interest in the near future.

ITALY. The Italian Bureau of Public Information (501 Fifth Avenue, New York City) is distributing to institutions a fortnightly bulletin entitled *Italy To-day*. It covers a wide range of topics, giving a brief statement of important affairs in Italy including reconstruction. It is mentioned here because of the present difficulty in securing Italian publications, arising out of the transportation situation.

The *Gazzetta Ufficiale* covers the usual field of the government gazettes of Europe; reconstruction projects, laws, decrees, etc., appear frequently. The *Bollettino dell'Ufficio del Lavoro* closely resembles the British and French labor bulletins.

HENRY J. HARRIS.

Industries and Commerce

BRITISH FOOD SUPPLY. The seriousness of Great Britain's food question is fully recognized. Both before and during the war various royal and parliamentary committees have been appointed to consider the problem with a view to recommending means of increasing home production or insuring a constant foreign supply. Back in 1903, when war clouds were not altogether visible and before submarine attacks were seriously considered, a royal commission was appointed to inquire into the supply of food and raw materials in time of war.

This commission heard the testimony and recommendations of prominent statisticians, economists, agriculturists, and food merchants. The inquiry lasted over a year. The report as published in 1905 contained in addition to a general discussion of the problem, suggestions as to methods of encouraging both the storage of foreign foodstuffs and the increase in the home production.¹ A supplementary volume to the report contains numerous tables and charts relating to the prices, production, importation, and supply of wheat, flour, meats and other important articles of diet.

¹ *Report of the Royal Commission on Supply of Food in Time of War with Minutes of Evidence*, 1905, Cd. 2643.

Some of the data of the report bring out prominently England's absolute dependence on foreign food products. Thus it was shown that approximately 80 per cent of the wheat and flour consumed was brought from overseas. The danger of this situation is intensified by the small provision for grain storage facilities. These facilities have been steadily decreasing owing to the regularity of food importations. Only at rare intervals during the two decades previous to 1905 were the British port stocks of wheat (as reported in *Broomhall's Corn Trade Year Book*) sufficient to furnish a month's consumption. The commission estimated that the ordinary reserves held by farmers and converters, except at periods of harvest, could hardly be more than the average of the visible supply, so that a two months' cessation of British foreign trade would mean a bread famine. The maintenance of wheat reserves in port granaries had become unprofitable because imported grain could be unloaded directly at the dock without the payment of storage charges, and, since importations could be had at all seasons throughout the year, there was no need of consumers buying the stored grain. The commission considered in its recommendations the question of supplying free port storage for incoming grain, but nothing seems to have been ever attempted along this line.

Following the outbreak of war in 1914, the maintenance of the British food supply became a condition and not a theory. It was not until the inauguration of the intensive submarine warfare in the summer of 1916, however, that serious measures for food conservation had to be taken. The first food control act was passed by Parliament on November 16, 1916, and a food controller was appointed December 26, 1916, with powers similar to those Congress conferred on Mr. Hoover. Later, shortage of flour became so serious that the flour mills in the United Kingdom were taken over by the government on April 20, 1917.² During this period of food legislation, several royal and parliamentary commissions had been appointed to consider food questions. A Dominions' Royal Commission reported in November, 1915.³ This report contains some very interesting and instructive data relative to the sources of British food. It is shown that Canada, Australia, and Argentina are gradually replacing the United States as England's granary. From her own overseas dominions before the war the following percentages of total wheat imports were received:

² "Food Supply Manual," published by authority, London, May, 1917.

³ *Final Report of the Royal Commission on the Natural Resources, Trade and Legislation of Certain Portions of His Majesty's Dominions.—Memorandum and Tables relating to the Food and Raw Materials Requirements of the United Kingdom, November, 1915.* Cd. 8123.

Period	Canada	Australia	India	Total per cent
1901-5	9.2	5.9	13.9	29.0
1906-10	15.1	8.2	11.7	35.0
1911-13	20.5	10.6	18.0	49.1

In the two years preceding the European war, Great Britain received approximately one half of her wheat imports from her principal overseas possessions. Her other chief wheat producer is Argentina, which in five years previous to the war furnished her with 30 per cent of the wheat imports.

Great Britain is less dependent on overseas for her meat than for her wheat supply. During the decade previous to the war, 40 per cent of the meat consumed was imported. The following table shows the pronounced change in the source of this supply:

PER CENT OF ENGLISH BEEF IMPORTS

From	1901-5	1906-10	1911-13
Australia	2.3	5.0	12.2
Argentina	32.6	60.0	80.5
United States	60.5	25.0	1.2
Other	4.6	10.0	6.1
<i>Total</i>	100.0	100.0	100.0

The most remarkable feature here is the elimination of the United States as a British meat purveyor. Argentina, in all probability, will continue to furnish for some time the bulk of foreign beef consumed in Great Britain.

Facing the serious food shortage brought about by Germany's submarine warfare, British statesmen naturally turned their attention to the problem of increasing home production. A departmental committee appointed by the president of the Board of Agriculture and Fisheries to consider the production of food in England and Wales, issued a final report in the fall of 1915.⁴ This committee, of which Lord Milner was chairman, strongly recommended an increase in tillage. It was shown that during the forty years previous to the war, four million acres of arable land had been permitted to go to grass. This could be readily resown to cereal crops. In addition, tilled land could be made more productive by the application of inexpensive fertilizer such as furnace slag, and the use of labor saving machinery. "More pigs" is not the least serious recommendation of the commis-

⁴ Dated October 15, 1915 (Cd. 8095).

sion. Another suggestion was the more effective use of the Small Holdings and Allotments act of 1908, which permits a borough council to compulsorily acquire, after six months' notice, any arable, untilled land for the purpose of encouraging land settlement.

Another interesting British report in relation to food supply is that issued by a committee of the Royal Society.⁵ This committee was composed of prominent physiologists and chemists who were concerned chiefly with the nutritive qualities of food. They recommended the diversion of cereals as much as possible to human consumption. They concluded also that it was uneconomical to fatten sheep and cattle before slaughtering or to feed pigs and poultry on any other than waste foods.

In the consideration of reconstruction problems, the future home food supply had not been neglected in Great Britain. In August, 1916, a Sub-committee on Agricultural Policy was appointed to consider methods of increasing home production. A preliminary report of this committee was published in 1917 and a full report was issued early in 1918.⁶ It is probably the most interesting of all the British reports relating to food supply. The problem is considered historically and is treated largely from an economic viewpoint. The decline in British agriculture during the last fifty years is ascribed to the repeal of the Corn laws and to the importation of cheaply produced foreign foods. A new agricultural policy is needed to increase home production. Better methods of tilling, more intensive cultivation and the use of better seeds is recommended. Agricultural education should be fostered. Grass lands should be ploughed up and converted into arable land as much as possible, since it is more economical to feed cattle on cultivated soil.

There is nothing new in these suggestions, and the report of the committee would be without special interest were it not for the recommendation of the reestablishment of county minimum wage boards to regulate agricultural wages. There is also the suggestion of a land court to adjust agricultural rents. In considering these problems, the report enters into a discussion of economic theories. The majority of the committee concludes that rent is largely interest on improvements invested in the land. "Low rents have too often resulted in slack farming and to secure the farmer in those rents would in such cases only leave him with his unprogressive methods" (p. 23). Accordingly

⁵ *The Food Supply of the United Kingdom. A Report Drawn up by a Committee of the Royal Society at the Request of the President of the Board of Trade.* London, 1917, Cd. 8421.

⁶ Cd. 8506, dated February 20, 1917, and Cd. 9029.

the three F's—fair rent, fixity of tenure, and free sale—are urged for adoption as a basis of agricultural land policy.⁷

A. M. SAKOLSKI.

The Bureau of Foreign and Domestic Commerce, of the United States Department of Commerce, has issued the following:

Special Agents Series:

No. 170, *Motor Vehicles in Japan, China, and Hawaii*, by T. O. Jones (pp. 75).

No. 171, *Brazilian Markets for Paper, Paper Products, and Printing Machinery*, by R. S. Barrett (pp. 77).

Miscellaneous Series:

No. 73, *Economic Reconstruction. Analysis of Main Tendencies in the Belligerent Countries of Europe with Statistics of Production, Consumption, and Trade in Important Foodstuffs and Industrial Raw Materials* (pp. 74).

No. 75, *Statistics of German Trade 1909 to 1913* (pp. 71).

The United States Department of Agriculture has compiled a bulletin on *Potatoes: Acreage, Production, Foreign Trade, Supply, and Consumption*, by George K. Holmes (Bull. No. 695, Oct. 16, 1918, pp. 24).

In the *Annual Report of the Federal Trade Commission for the Fiscal Year Ended June 30, 1918* (Washington, 1918, pp. 131) brief summaries are made of the work during the past year, particularly in determining costs of production of commodities for the War and Navy Departments, War Industries Board, and other branches, also concerning the meat investigation and the work of the commission in enforcing the law against unfair methods of competition.

Part II of the commission's report on the *Meat-Packing Industry* (1918, pp. 290) contains evidence of combination among packers. Chapter I is on The history of the dressed-meat pools and mergers; chapter 2, How the meat combination works now; chapter 3, Agreements in other lines of business; chapter 4, The bankers and the combination.

The report on the *Canned Salmon Industry* will soon appear and will contain information of interest to economists concerning the economies of large-scale production and concerning marketing.

⁷ The following are some of the recent books relating to food supply published in England: Christopher Turner, *Our Food Supply*, London, 1918; George Radford, *Our Daily Bread*, Constable, 1918; T. A. Wood, *The National Food Supply in Peace and War*.

Export Trade Policy of the United Kingdom, 1913-1918 (Washington, War Trade Board, Bureau of Research, pp. 60) presents data regarding fourteen groups of commodities important in the export trade of the United Kingdom with comparisons with United States exports. The significance of the study lies in the presentation not only of the actual changes in current prices but in showing what the changes would have been if the prices of 1913 had been maintained. "In terms of current prices, the total United Kingdom exports of 1917 were about 94 per cent . . . of the total of 1913. But prices have risen so rapidly that these figures are misleading. If prices had not changed since 1913, the exports for 1917 would have been approximately 45 per cent. . . . During the same period United States exports have increased about 150 per cent in terms of current prices. In terms of 1913 prices the approximate increases for the United States were 75 per cent in 1917." Comparisons are also made in terms of quantity wherever possible.

The United States Tariff Commission has submitted to the Senate a report on *Free Zones in Ports of the United States* (pp. 92). It relates to bills dealing with plans for establishing free ports such as have been created in Hamburg and Copenhagen and discusses the defects of bonding and drawback, the inadequacy of the present system, the importance of transshipment trade, the advantages that might be derived from a free-zone system. In the appendix are reports of various chambers of commerce and commercial organizations, extracts of hearings, and various miscellaneous matter relating to the topic of the report.

It is announced that there is to be a revision of the foreign trade statistics which are published by the Bureau of Foreign and Domestic Commerce. More than 1,000 new items will be added to the export classifications and there will be some increase also in the number of import items shown. The object is to secure a common classification for import and export figures.

The bulletin of the United States Food Administration for November 15, 1918, contains Mr. Hoover's statement on food control and prices (pp. 4-7).

A letter of the Director of the Bureau of Mines on *Production of Crude Oil* has been published as Senate Document No. 280, 65th Congress, 2d Session (pp. 16).

The Agricultural Experiment Station of the University of Wisconsin has issued a bulletin on *Price-Fixing and Cost of Farm Products*, by Professor H. C. Taylor (Madison, pp. 16).

The *Report of the State Land Settlement Board of California* (Sacramento, 1918, pp. 30) is of unusual interest. It describes the systematic plan of rural development which has recently been put into operation. Financial tables are given and also a map of the Durham settlement.

The Board of Trade Committee, London, has made a report on *Commercial and Industrial Policy after the War* (9035, Wyman, 9d.), being the final report of the committee; and also reports on the position of the coal trade after the war (9093, 4d.), of the engineering trades (9073, 6d.), of the iron and steel trades (9071, 6d.), of shipping and the ship-building trades (9092, 1s. 3d.), and of the textile trades (9070, 1s. 3d.).

Corporations

THE ANNUAL REPORT OF THE INTERSTATE COMMERCE COMMISSION for 1918 is the first report of the commission under the federal control of railroads by the President's proclamation of December 26, 1917, and the federal control act of March 21, 1918. The report is of more than usual interest in view of the pending disposition of the railroads. It gives an account of the transition to federal control and points out in what manner the federal control act has affected the act to regulate commerce. General Order No. 1 of the director general, authorizing the disregard of established routes, superseded the fifteenth section of the act to regulate commerce in so far as it had previously protected carriers from being short hauled and had given the shipper the right to route the movement of his freight. The same order also superseded section 3 of the act to regulate commerce so far as it protected carriers in the exclusive right to the use of their tracks or terminal facilities. Section 10 of the federal control act provides that the commission shall not suspend, pending final determination thereon, rates or fares initiated by the President; and that rates and fares initiated by him shall become effective at such times and on such notice as he directs, thus superseding the provision of section 6 of the act to regulate commerce, (which requires statutory notice of thirty days except where the commission allows changes upon shorter notice), and of section 15 which precludes the filing of an increased rate of fare except after approval thereof by the commission. Some cases are cited and briefly discussed in which the commission claimed and exercised the power to review rates initiated by the director general. The commission suggests, too, that if it be assumed that the power of the President over rates applicable wholly within a state is not inhibited by section 15 of the federal control act the question arises whether the jurisdiction of the com-

mission has not been extended by section 10 of that act to include a review of state rates so initiated.

The commission does not consider the present an opportune time "in which to recommend concrete proposals for legislation"; it states that it will "at an appropriate time report to Congress such information, suggestions or recommendations" as it believes may be of assistance "in solving the many and difficult transportation problems." The commission contends, however, that whatever line of policy is determined upon the fundamental aim should be to provide a transportation system adequate to needs both in normal times and in times of national stress or peril. To this end it urges adequate provision for "merger within proper limits of carriers" lines and facilities in such part and to such extent as may be necessary in the general public interest to meet reasonable demands of our domestic and foreign commerce; "prompt merger without friction of all carriers' lines, facilities and organizations into a continental and unified system in time of stress or emergency"; limitation of railway construction to the necessities and convenience of the government and the public and "*assuring construction to the point of these limitations*" (not in italics in report); development and encouragement of inland waterways and co-ordination of rail and water carriers.

The commission believes that railway operation should be emancipated from financial dictation if private ownership and operation are to be resumed; that there should be regulation of issues of securities and establishment of a relationship between federal and state authority which will eliminate the twilight zone of jurisdiction and under which a harmonious rate structure can be evolved and adequate service secured; effective supervision of carriers' policies toward competitive and non-competitive traffic; provisions requiring each road to furnish its quota of rolling stock; means for securing equitable distribution of railway equipment; and a more common and efficient use of terminals. The commission indicates that should the policy of government ownership be adopted there would need to be consideration of the fair price under which the roads would be acquired; adequate safeguard against operation of the carriers as a fiscal contrivance; provision that the advantages of large-scale production in transportation would be realized and the roads made self-supporting; responsibility and relationship of the railway managers to Congress; the problem of making railroad work attractive so as to insure selection of able men; and finally provision for a tribunal for the determination of controversies under public operation.

It is to be hoped that the commission's belief will be generally ac-

cepted that certain lines of inquiry "must be pursued in order to reach sound conclusions." It would appear that the question of transportation deserves as careful consideration as was given to our banking system before the roads are turned back to their owners under some modified form of government regulation or taken over through government ownership.

C. O. RUGGLES.

Ohio State University.

The *Statement of the Director General of Railroads, Mr. McAdoo, before the Interstate Commerce Committee of the Senate, January 3, 1919*, has appeared as a separate (pp. 41).

The Division of Bibliography of the Library of Congress has prepared a typewritten *List of References on the Government Ownership of the Telegraph and Telephone* (pp. 15).

The Railway Business Association (30 Church St., New York) has the following pamphlets for circulation: *Future of Our Railways*, by Alba B. Johnson, an address delivered January 9, 1919 (pp. 14); *President Wilson and the Railways* (pp. 18); and *Common Sense about Railways*, by Harry H. Merrick (pp. 14).

Public utility reports received are:

Reports of the Board of Public Utility Commissioners of New Jersey, Volume V, January, 1917 to February, 1918 (Trenton, pp. 866).

Sixth Annual Report of the Public Utilities Commission of Rhode Island for 1917 (Providence, pp. 124).

Labor

Recent bulletins of the Bureau of Labor Statistics of the United States Department of Labor are:

No. 232, *Wages and Hours of Labor in the Boot and Shoe Industry: 1907-1916* (Washington, May, 1918, pp. 169). There is a considerable amount of descriptive matter relating to the character of occupations, with charts showing outline of processes.

No. 234, *The Safety Movement in Iron and Steel Industry, 1907-1917*, by L. W. Chaney and H. S. Hanna (June, 1918, pp. 299). This continues the previous study published by the bureau in 1913 with regard to accidents in the iron and steel industry, covering the period 1907-1910. Part 1 contains a review of the course of accidents with special reference to the effects of the war on accident occurrence. Part 2, on causes and prevention of accidents, includes chapters on accident rates, nature of injury, and the human factor in accident occur-

rence, and gives charts illustrating experience in different kinds of mills.

No. 244, *Labor Legislation of 1917* (August, 1918, pp. 430). The usual text of state laws with a preliminary analysis under topics.

No. 246, *Decisions of Courts Affecting Labor, 1917*. The review of decisions includes labor organizations, alien labor, employers liability insurance, strikes, wages, etc.

The Industrial Relations Committee of the Emergency Fleet Corporation (Philadelphia) has reprinted in a pamphlet *Reports on Reconstruction from English Sources*, including the two reports of Joint Standing Industrial Councils (Whitley report), the memorandum proposals of the Whitley report, the report on Works Committees, and the report on Conciliation and Arbitration.

The *Monthly Labor Review* of the United States Department of Labor Statistics for October, 1918, contains an article on "Labor turnover and employment policies of a large motor vehicle manufacturing establishment," by Boris Emmet.

The librarian of the United States Department of Labor Library (Washington), Miss Laura A. Thompson, has compiled a typewritten bibliography of 57 pages on *Reconstruction*, covering 415 articles and publications. A large part of this refers to English proposals and plans in regard to new labor programs.

One of the chapters in the *Annual Report of W. G. McAdoo, Director General of Railroads, 1918*, relates to labor (Washington, pp. 27). It gives an account of the work of the division of labor and of the railway boards of adjustment. There is also a discussion of the employment of women in railway service.

The *Forty-eighth Annual Report on the Statistics of Labor* for the year 1917 published by the Bureau of Statistics of Massachusetts contains a directory of labor organizations in Massachusetts, report on the union scale of wages and hours, collective agreements, and labor legislation in Massachusetts, 1915, 1916, and 1917.

Bulletin No. 17 of the Minimum Wage Commission of Massachusetts relates to *Wages of Women in Hotels and in Restaurants in Massachusetts* (Boston, 1918, pp. 68) and presents tables showing wages.

The Bureau of Statistics and Information of the Industrial Commission of New York has issued *Labor Law with Amendments, Additions and Annotations to August 1, 1918* (Albany, pp. 187); *Miscellaneous Labor Laws, 1918* (pp. 136); and *Industrial Code* (pp. 47).

The *Twenty-sixth Annual Report of the Maryland State Board of Labor and Statistics* for 1917 (Baltimore, Equitable Bldg., pp. 241) devotes considerable space to the child labor law (pp. 17-99) and to the report on the enforcement of a ten-hour law for women (pp. 113-156). Brief reference is also made to the compulsory employment act of 1917.

The *Ninth Biennial Report of the Department of Commissioner of Labor and Industrial Statistics of Louisiana, 1916-1918* (New Orleans, 1918, pp. 166) contains paragraphs (pp. 16-18) on the exodus of negro labor from that state during the last two years.

The Industrial Commission of Wisconsin has issued its second annual report on *Apprenticeship in Wisconsin* covering the period January 1, 1917, to June 30, 1918 (Madison, pp. 12).

The American Federation of Labor has published in pamphlet form its *Reconstruction Program* (Washington, pp. 16).

The Red Cross Institute for Crippled and Disabled Men (311 Fourth Ave., New York) has published a pamphlet on *Employment Opportunities for Handicapped Men in the Coppersmithing Trade*, by Bert J. Morris, which contains chapters on employment opportunities and a brief discussion of the economic aspects of the coppersmithing industry.

Money, Prices, Credit, and Banking

WATCHING THE MOVEMENT OF PRICES DURING THE WAR. Now that the war boards are breaking up, and the problem of resuscitating the peace industries looms to the fore, economists are concerned particularly to know which of the war statistical materials can be made useful for other than war ends. Not the least permanent in value, of all the data assembled purely for war purposes, are the records of the prices of commodities at wholesale collected by the Price Section of the Division of Planning and Statistics of the War Industries Board. That section, while feeding price materials to the Price-Fixing Committee and other governmental agencies at Washington, has brought together, under the direction of Dr. Wesley C. Mitchell, of Columbia University, a more comprehensive set of price quotations than has hitherto been gathered. These price statistics are so distinctly a contribution that analysts will for many years make them the basis of their studies of the movement of prices during the war.

The Price Section, in common with other sections within the several divisions of planning and statistics of the war boards, was created

to serve a special need. It was assigned the task of answering all inquiries relating to the fluctuations of wholesale prices which the price-fixing committee or the war boards had to ask it. No effort was made to examine retail prices, because the government regulations and the government purchases pertained almost exclusively to wholesale prices. In response to these inquiries, and by reason of several important studies which the section undertook upon its own initiative, the War Industries Board has built up a file of prices on more than one thousand commodities at wholesale in the United States and made a significant start in a smaller file of similar prices in the foreign countries. All of these files have been collected with a view toward giving a general picture of the price movement of representative commodities within one or another of the seven major groups—Food; Clothing; Rubber, Paper, Fiber; Metals; Building Materials; Fuel; and Chemicals.

Government officials, charged with the controlling or the fixing of war prices, have been concerned quite as much with previous as with current quotations. The quotation records of the Price Section, therefore, were made to extend back through the war period and to the beginning of 1913. These quotations are averages, in the main, of samples taken at regular monthly or weekly intervals from the leading trade journals, from private sources and from constituted government bureaus. Of the latter, by far the greatest acknowledgment of indebtedness is owing to the Bureau of Labor Statistics. But these series of actual quotations make up half the record only. For each monthly actual quotation there has been figured a corresponding relative price upon a fixed base. This then makes possible readily a comparison of the relative fluctuations during the war of wheat per bushel, copper per pound, and pig iron per ton, and, what is as valuable, shows at a glance how each of those commodities has moved with reference to its base. These relative prices, which are tabulated with their actual prices, were made to represent the percentages of rise or fall of the actual prices from the pre-war level. The average quoted price for the year immediately preceding the outbreak of the European war (July 1, 1913, to June 30, 1914) was taken as a base equal to 100 in figuring the relative prices.

It is not here permitted to discuss in detail the numerous reports that were made confidentially. But there were several lines of price service rendered the war boards which, while not widely distributed, have not been strictly confidential. Of these services the economists ought to know. They are the *Book of Charts*, the series of *Price-fixing*

Bulletins, the *Bulletin of Monthly Prices during the War*, the *Comparison of Prices during the Civil War and Present War*, the *Comparations of Controlled and Uncontrolled Prices*, and the study of foreign prices. There is, too, under way a very comprehensive plan to write a *History of Prices during the War* about which economists, business men, and officials will want to know.

The *Book of Charts*, which was given only to the President and a selected list of the more important officials in Washington, is an ingenious device planned by Dr. Mitchell to facilitate the comparison of the relative prices of the eighty-eight leading commodities contained between its covers and of the group and "all commodities" index numbers from the Bureau of Labor Statistics. There are then just ninety-eight charts in the book. Each chart folds down away from the book. Since the paper is translucent, a comparison of the price fluctuations of any two or three charts may be readily made by folding down and super-imposing the one chart upon the other and reading upon the top chart the lines which show through from the charts beneath. This quite unique contrivance, calculating the combinations of three in ninety-eight, makes possible 152,096 distinct comparisons.

It is interesting to note the degrees of fluctuation which are found within this selected lot of eighty-eight representative commodities. One may find instances of most of the various percentages of fluctuation lying between the extreme low of rubber, which remained, in the main, well below its pre-war level and the extreme high of quicksilver, which early in 1916 shot to a point representing 726 per cent above its pre-war level. This jump (from \$.55 to \$4.00 per pound), taking the pre-war level as 100, amounted to an advance in price seven and one quarter times greater than that prevailing before the war. But, excepting coffee, few other commodities remained relatively as low as rubber and few advanced relatively as high as quicksilver. Rubber, in the raw material as contrasted to the manufactured product state, remained low because, despite the increased demand, there was an abundance of production. Before the war, the world depended for rubber primarily upon Brazil where it grew wild. But in 1913, the Ceylon and other rubber plantations, which had been long under cultivation, began producing in quantities so large that now the plantations produce 240,000 tons of rubber per year. The Brazil production has remained about 40,000 tons, which before the war represented the bulk of the world production. This and the cutting off of a heavy importation of rubber into Germany were bound to have their effect in hold-

ing down the price of crude rubber. The phenomenal rise in quicksilver, which held for two months only before there came a sudden drop, was a freak. The spurt was prompted by a rumor that the supplies from Spain, which is a chief source, would be cut off by England. This news was spread at a time when there was demand from abroad for quicksilver to be used as fulminate.

This short review does not purport to make any generalization on the movement of prices as recorded in the *Book of Charts*, much less on the movement of all prices during the war. The examples of rubber and quicksilver are cited simply as interesting exceptions. Perhaps of the two, rubber is the more exceptional. The movement in general was toward a high point. One cannot turn through this series of war prices without having it impressed upon him, indeed, that the great bulk of commodities have doubled in price during the war and that many of them have trebled.

In addition to the charts of relative prices, the book contains corresponding actual prices for each commodity and, where available, figures showing production, imports, exports, stocks on hand, price fixing, restriction of imports and exports; and commercial histories purporting to explain the reasons for the fluctuations of each article.

The *Price-fixing Bulletins*, which were a joint effort of the price and editorial sections, constitute two distinct series—those pertaining to the market prices of commodities under control and those pertaining to the price regulations of government agencies. It was the purpose of these series to give the war boards what had not been given before—an edited compilation of all the regulations made from time to time on various groups of controlled commodities and a carefully prepared compilation of the market quotations during the war period of those and closely related commodities. There have been prepared bulletins on the non-ferrous metals, rubber, chemicals, rags, iron and steel, building materials, cordage fibres, fertilizer, and wool of the market quotations series; and bulletins on the non-ferrous metals, rubber, chemicals and explosives, rags, lumber and building materials, manganese, platinum metals, textiles and fibers, paper, iron and steel, and fuels of the price regulation series.

The *Bulletin of Monthly Prices during the War*, issued each month, is intended to show market fluctuations in the prices of about one hundred commodities at wholesale. The particular list of commodities that are carried in this bulletin has been chosen to represent, as nearly

as may be in a limited selection, the price movement during the war and the current prices of typical commodities within the seven major groups into which the Price Section classifies all commodities.

The present distribution among the several groups of the individual commodities which are quoted in this bulletin is as follows: the Food group (bacon, bananas, barley, beef, butter, cattle, coffee, corn, eggs, wheat flour, hay, hogs, lard, lemons, malt, milk, mutton, oats, potatoes, poultry, rice, rye, salt, sheep, sugar, tea, tobacco and wheat); the Clothing group (calf-skins, cattle hides, cotton, cotton yarns, sole leather, print cloths, silk, suitings, wool and worsted yarns); the Rubber, Paper and Fibre group (binder twine, hemp, jute, paper, rubber, sisal, and wood pulp); the Metals group (aluminum, antimony, copper, iron ore, pig iron Bessemer, pig iron Foundry No. 2, lead, nickel ingot, quicksilver, steel billets, tin, and zinc); the Building Materials group (brick, Portland cement, flaxseed, window glass, carbonate of lead, lime, linseed oil, ash, Douglas fir, gum, hemlock, oak, North Carolina pine, yellow pine, pine tar, and oxide of zinc); the Fuel group (anthracite coal, bituminous, coal, semi-bituminous coal, Connellsville coke, crude petroleum, refined petroleum, and tallow); and the Chemicals group (grain alcohol, wood alcohol, cocoanut oil, cottonseed oil, lubricating oil, quebracho, nitrate of soda and sulphuric acid).

In addition to the tabulations of actual and relative prices of each of the above listed commodities for the period of January, 1913, to date, there are included in the *Bulletin of Monthly Prices during the War* charts of the relative prices of the more important commodities.

One of the most interesting of all the special reports made by the Price Section, and one made upon its own initiative, was a *Comparison of Prices during the Civil War and Present War*. That bulletin is a tabular comparison of the relative prices of ninety-two identical commodities at wholesale during the Civil War (1860-1866) and the present war (1913-1918). The actual price for January, 1860, was taken as a base equal to 100 in figuring the relative prices for the Civil War period and the average actual price from July 1, 1913, to June 30, 1914, as a base equal to 100 in figuring relative prices for the present war period. These two bases were taken as fair representations of the respective pre-war prices. Quite the most interesting studies in this report are the two series of the medians of the relative prices of the ninety-two commodities as a whole during the two war periods. These medians would seem to indicate that prices during the Civil War rose more irregularly and somewhat higher relatively than during

the present war. There is withal, however, a striking similarity in the general upward movement of prices during the two wars.

It remains yet for the Price Section to issue a bulletin, now all but complete, showing the *Fluctuations of Controlled and Uncontrolled Prices*. There have been many people eager to know how effective price-fixing has been. This bulletin will not attempt to settle that question. It will give some valuable general suggestions toward such an inquiry. The great bulk of commodities that have been controlled are included in the various group and "All Commodities" index numbers of the Bureau of Labor Statistics. In order, therefore, to determine roughly the effect of price-fixing upon the movement of prices during the last year and one half of regulation in this country, the weighted index numbers of the Bureau of Labor Statistics have been recast in order to show a weighted index number of commodities that have been controlled and one for those which have not been controlled. This involved the task of separating the controlled commodities from the uncontrolled in the "All Commodities" and nine group index numbers and recalculating a new index number for controlled prices and one for uncontrolled prices in each group. The new index numbers are being made from weighted aggregates of actual prices turned into relative prices on the base of the year immediately preceding the first date of price-fixing (August, 1916, to July, 1917). The results of this comparison, which have not yet been made known, leave no doubt that prices within a group became distinctly more stable after price-fixing set in than before.

Foreign prices have seldom, if ever, borne as directly upon domestic prices or been thrown themselves as generally under similar pressures as since the outbreak of the war in Europe. The domestic and the foreign market, each at bottom controlled by the military situation, have been enough akin to make war boards commonly choose to study the one in relation to the other. Unfortunately the sources for foreign prices are not readily accessible and frequently not available. In especial are they not, for complete series from the Central Powers. It was possible, by use of cable, consular reports, and foreign periodicals, however, to gather series that were more or less complete from England, France, Italy, Russia, Germany, Austria, Australia, New Zealand, India, Canada, Norway, Sweden, Holland, Switzerland, Japan, and Spain, and Brazil. The separate studies for those individual countries, including each between 48 and 105 commodities, show quotations by months from January, 1913, through December,

1918. Each lot of foreign prices is classified, like the domestic, under one or the other seven major groups (food; clothing; rubber, paper, fibers; metals; building materials; fuel; and chemicals) and for each series of actual prices there has been figured a corresponding series of relative prices. The average actual price for the year immediately preceding the beginning of the war (July 1, 1913, to June 30, 1914) was taken as a pre-war base, and made equal to 100, in figuring the relative prices.

The real contribution of this particular study lies in the comparison, which it promises to afford, of the relative prices of various lists of commodities in each of the seventeen foreign countries with identical lists of commodities at domestic markets. There have been found, for example, 150 series of identical commodities which represent a corresponding movement upon the same pre-war base, of wholesale prices in the United States. So with each other foreign and corresponding domestic series. The comparison of domestic and foreign fluctuations of commodities at wholesale, not yet completed, will be of wide interest here and abroad.

But now that the war is over, and the demands from the war boards for purely routine service are not the paramount ones, there remains the still more difficult and necessary task of interpreting this great body of data. There is a tremendous concern now, while the policies of the future are in the making, to know in a more comprehensive way than has been known how prices generally have moved and how particular groups of prices have moved. And so the War Industries Board has directed its Price Section to write within the course of the next few months a history of prices during the war. A start has already been made upon that task and at the expiration of that board on December 31, 1918, was continued by the same section operating within the War Trade Board.

The first and most prodigious problem involved in the writing of such a history is, of course, the setting up of a classification of commodities that will lend itself to the widest uses. There are now constituted seven major groups and sixty-six classes as a basis for such a classification as follows:

I. Food Group:

- | | |
|------------------------------------|---|
| 1. Wheat and products | 9. Tea, coffee, and cocoa |
| 2. Corn and products | 10. Spices and condiments |
| 3. Barley, rye, hops, and products | 11. Nuts, oils, and butter (veg.) |
| 4. Oats, buckwheat, and rice | 12. Tobacco |
| 5. Feed, fodder, and hay | 13. Fish and sea foods |
| 6. Fruits, berries, and products | 14. Livestock, meats, fats, and poultry |
| 7. Vegetables and truck | 15. Dairy products |
| 8. Sugar, cane and beet | |

II. Clothing Group:

- | | |
|----------------------------------|---------------------|
| 16. Cotton | 20. Hides and skins |
| 17. Wool | 21. Leather |
| 18. Silk | 22. Buttons |
| 19. Hair, bristles, and feathers | 23. Fur products |

III. Rubber, Paper, Fibres, and Plastics Group:

- | | |
|------------|--------------|
| 24. Rubber | 26. Fiber |
| 25. Paper | 27. Plastics |

III. Rubber, Paper, Fibers, and Plastics Group:

- | | |
|--------------------|------------------------|
| 28. Iron and steel | 30. Non-ferrous metals |
| 29. Ferro-alloys | 31. Rare metals |

V. Fuels Group:

- | | |
|---------------|-------------|
| 32. Coal | 34. Matches |
| 33. Petroleum | |

VI. Building Materials Group:

- | | |
|---------------------|------------------|
| 35. Sand and gravel | 39. Glass |
| 36. Quarry products | 40. Lumber |
| 37. Brick and tile | 41. Naval stores |
| 38. Cement | 42. Waxes, putty |

VII. Chemicals Group:

- | | |
|---|---------------------------|
| 43. Acids | 50. Paints and varnishes |
| 44. Heavy chemicals | 51. Fertilizers |
| 45. Miscel. inorganic chemicals | 52. Essential oils |
| 46. Miscel. organic chemicals | 53. Fermentation products |
| 47. Natural dyestuffs, tanning ex-
tracts and mordants | 54. Soaps and glycerine |
| 48. Coal tar—crudes, intermediates
and dyes | 56. Explosives |
| 49. Wood distillation products, tur-
pentine and rosin | 57. Inks |

The presentation of the actual and relative prices from January, 1913, through December, 1918, by simple arithmetic averages alone will not constitute the background of this price record. Such a record would not apportion to each set of commodities its just weight in the system of prices. There will be constructed accordingly, a series of weighted index numbers for each class, each group and for "all commodities." It is planned to use a double set of weights—the "commodity weights" to give each commodity within a class its due influence upon the index number for that class and the "class weights" to give each class of commodities within a group its due influence upon the index number of that group. Since the task at hand is a study of war prices, it seemed desirable, despite the difficulties involved, to choose a year in weighting which would rate the commodities according to their relative importance on a war basis. A choice of 1917 as the basic year was therefore made. The weights will consist of the estimated amount of each article or class which entered into trade in this country during that year.

There would appear few doubts, valuable as have been the price

studies directed in the past by the War Industries Board toward war ends, that there lies ahead even a broader field of service for the Price Section than any it has performed. Wholesale prices have been collected before but seldom studied as units in a system of prices. Men with business points of view, either as investors or students, formerly have not found in the general index number a tool sufficiently delicate accurately to measure prices within specific industries. It has been adequate to measure general trends only. But if an index number is to be made a useful price barometer for the business man, as well as the economist, it must record separately the movement of prices within each of the narrower fields of industry. The making of a weighted index number of one thousand commodities at wholesale, one to include a distinct series for each industrial division, will give a firmer body of data for such price inquiries than has ever been made in this or any country. It is that task which the price group at Washington have set out to complete.

Washington, D. C.

PAUL WILLARD GARRETT.

INVESTMENTS IN LATIN AMERICA. In a recent report of the federal Bureau of Foreign and Domestic Commerce upon *Investments in Latin America and the West Indies* (Special Agents Series No. 169, 1918, pp. 544) Special Agent Frederic M. Halsey covers a broad field and brings in compact form to the study of foreign trade and foreign investment a compilation of material which hitherto has not been easily accessible. The importance of investment in foreign countries as a means of developing foreign trade connections and goodwill for the investing country has furnished the motive. The report made is one dealing with facts, confining itself to present effort and past accomplishment rather than attempting speculation as to the future.

The various countries in South and Central America, beginning with Argentina, are studied separately. The scope and magnitude of foreign investments and state, federal, provincial, and municipal finance of each country are analyzed. Banks and banking facilities, both of the country itself and its connections with foreign countries, receive attention. Important industrial and financial facts are given concerning the railways and public utilities of each country, also brief descriptions of the main classes of industries in each state, including forestry, agricultural, manufacturing, and commercial undertakings. Extensive appendices give many supplementary facts as to numerous enterprises which are discussed in the text, with brief accounts of companies' activities and data upon international enterprises.

From the student's point of view, the report suffers from a failure

to state the source of many of the facts presented and from the failure to make any general conclusions as to the extent and character of investment in South America or Latin America as a whole.

HARRY R. TOSDAL.

The Federal Reserve Board published in the December issue of the *Federal Reserve Bulletin* the text of the first interim report submitted to the British parliament by Lord Cunliffe's committee, which was appointed to consider problems relating to currency and foreign exchange during the period of reconstruction.

The American Institute of Bankers (5 Nassau St., New York) has published in its *Bulletin* an article on the increase of savings deposits in banks by states in the years 1914 and 1918 and per capita calculations.

A reprint has been prepared of the proceedings of the savings bank section of the American Bankers Association on the topic *Is the Short-Time Liquid Security an Essential to the Proper Operation of the Savings Bank?* It contains a discussion with an analysis of banks and savings institutions in the United States, August 1, 1918, with charts (Milton W. Harrison, secretary, 5 Nassau St., New York, pp. 45).

The Industrial News Survey continues its study of prices with a cost of living supplement on *Wartime Increases in the Cost of Living*, July, 1914, to November, 1918 (15 Beacon St., Boston, pp. 7).

There have recently been received:

Proceedings of the Kansas Bankers Association, 1918 (W. W. Bowman, secretary, Topeka, pp. 237).

Proceedings of the Twenty-third Annual Convention of the Maryland Bankers' Association (Charles Hann, secretary, First National Bank, Baltimore, pp. 114).

Recent state banking reports received are:

Eleventh Annual Report of the Bank Commissioner of Rhode Island (Providence, 1918, pp. 221).

Twenty-third Annual Report of the Commissioner of Banking of Wisconsin (Madison, pp. 489).

Twelfth Report of the State Banking Department of Louisiana for 1916 and 1917 (New Orleans, pp. 213).

Public Finance

STATISTICS OF INCOME, for 1916, compiled under the direction of the Commissioner of Internal Revenue (Washington, 1918, pp. 391) con-

tains elaborate tables relating to both corporate and personal income. The latter are analyzed from the standpoint of class distribution, occupations, returns by states and by source, whether from personal service or property. For example, it is possible to determine how many taxable incomes are assigned to teachers (inclusive from kindergarten to university, school, and college officials) by each state and to calculate the per cent of such returns to total returns. From these returns derivative tables can be compiled comparing different states. For example, Michigan and New Jersey, which in 1916 were nearly equal in population, compare as follows:

	Population	Number of re- turns by teachers	Net income	Income tax, normal and additional
Michigan ...	3,054,854	31	\$201,115	\$457
New Jersey.	2,948,017	186	1,284,692	7,884
U. S.	103,559,093	2,919	19,345,751	117,961

New Jersey has six times as many returns as Michigan, while the tax is seventeen times as great. Michigan has one return in this occupation for each 9,500 in population; New Jersey, one for each 16,000; and for the United States the ratio is one in 35,000.

The annual report of the Secretary of the Treasury on *The State of the Finances* for 1918 (Washington, pp. 540) prints among the exhibits many documents of historic interest relating to the issue of bonds, treasury certificates of indebtedness, war saving certificates, and war risk insurance.

The federal Treasury Department has recently prepared a new compilation of customs laws and digests of decisions.

The Superintendent of Public Documents has prepared new price lists on *Tariff and Taxation* (July, 1918, pp. 25) and *Finance* (pp. 15).

Senate Report No. 617, 65th Congress, 3d Session, prints *Revenue Bill of 1918*, being the report of the Committee on Finance (Washington, Dec. 6, 1918, pp. 60).

The United States Tariff Commission has continued its reports in the Tariff Information Series with No. 8, *The Brush Industry* (pp. 77). This commission has also made a report to Congress on *Dyes and Other Coal-Tar Chemicals* recommending amendments to the act of September, 1916 (pp. 82).

The Legislative Reference Division of the Library of Congress has printed for the use of the House Committee on Ways and Means a

pamphlet on *War Taxation of Incomes, Excess Profits, and Luxuries in Certain Foreign Countries*. It contains, for example, a synopsis of the income tax acts of Great Britain, Canada, and France, and similar summaries for the excess profits tax laws of various countries (pp. 128).

A bulletin on *State Finances* published by the State Comptroller of New York for January, 1919, has an article entitled "Mortgage tax law no real revenue measure," by Comptroller Eugene M. Travis.

A Bulletin of the State Tax Department of New York, July, 1918, prints *The Tax Law of 1918 with Amendments* (Albany, pp. 792).

The *Ninth Biennial Report of the Wisconsin Tax Commission* (Madison, 1918) contains a chapter on municipal accounting and finances in which charts illustrate the various sources of revenue and expenditures of cities.

The *Thirty-first Annual Report of the Town Officers of North Attleborough, Massachusetts*, includes a report of a subcommittee which was appointed to investigate the merits of the Somers system of real estate valuation (pp. 16-40). Many letters are quoted from officers of other cities that have had experience with this system.

T. A. Polleys, tax commissioner for the Chicago Northwestern Railroad, has prepared some sheets showing the general property taxes per acre in various districts of Wisconsin (Chicago).

The Bureau of Municipal Research of Toronto has again analyzed the finances of that city in a pamphlet entitled *City Budget Facts, 1918*.

PERIODICALS

The REVIEW is indebted to Robert F. Foerster for abstracts of articles in Italian periodicals, and to R. S. Saby for abstracts of articles in Danish and Swedish periodicals.

Economic History, United States

(Abstracts by E. L. Bogart)

- BARNARD, H. *The South Atlantic States in 1833, as seen by a New Englander.* Maryland Hist. Mag., Sept., Dec., 1918. Pp. 28, 92. Impressions taken from a diary of the author. Depicts the customs of the locality and period. Complete in two numbers.
- BASSETT, J. S. *How the Southerners supported the War for Secession.* Hist. Out., Oct., 1918. Pp. 3. The financial expedients forced upon the Confederacy for the support of their cause.
- BRADLEE, F. B. C. *The Boston and Lowell railroad, the Nashua and Lowell railroad and the Salem and Lowell Railroad.* Essex Inst. Hist. Col., July, Oct., 1918. Pp. 32, 32. A full account of early railroad development. Illustrations and facsimiles. Complete in two numbers.
- ELDRED, W. *The wheat and flour trade under Food Administration control: 1917-18.* Quart. Journ. Econ., Nov., 1918. Pp. 70. Shows how the Food Administrator endeavored to enforce price stability, conservation, and equality of distribution.
- FAIRCHILD, F. R. *The public finance of Santo Domingo.* Pol. Sci. Quart., Dec., 1918. Pp. 21. General survey of economic and financial conditions.
- FOX, D. R. *The economic status of the New York Whigs.* Pol. Sci. Quart., Dec., 1918. Pp. 18. Showing how property and wealth have an effect upon the make up of political parties.
- KELLOG, L. P. *The Hudson Bay Company tokens.* Wis. Mag. of Hist., Dec., 1918. Pp. 3. The use of brass tokens signifying the value or fractional value of a beaver skin, the standard used in trading.
- LANDIS, C. I. *History of the Philadelphia and Lancaster turnpike; the first long turnpike in the United States.* Penn. Mag. of Hist. & Biog., Apr., July, 1918. Pp. 14, 24. History of the first important public improvement of the state. The turnpike ran from Philadelphia to Lancaster. First two instalments.
- MARYE, W. B. *Early settlers of the site of Havre de Grace.* Md. Hist. Mag., Sept., 1918. Pp. 18. Treats of the settlement of the locality, trade with the Indians, etc.
- OSGOOD, E. W. *The development of transportation in connection with problems of Western expansion.* Hist. Out., Dec., 1918. Pp. 3. A study, and hints on class presentation, of the aid given western development by the growth of railway transportation.
- POE, E. E. *The peace treaties of the United States.* Daught. of Am. Rev. Mag., Jan., 1919. Pp. 8. A survey of the various peace treaties with their principal points. First instalment.

- ROGERS, H. W. *The lottery in American history*. Americana, Jan., 1919. Pp. 15. A comprehensive study of legalized lottery with its growth and final decline.
- SHIPPEE, L. B. *The first railroad between the Mississippi and Lake Superior*. Miss. Valley Hist. Rev., Sept., 1918. Pp. 22. Though under consideration for some years, the railroad was not completed until 1871. It marked an era in Minnesota commerce.
- STEVENS, W. E. *Fur trading companies in the Northwest, 1760-1816*. Miss. Valley Hist. Rev., Oct., 1918. Pp. 9. The growth and centralization of the trade described.
- STEWART, E. D. *The Populist party in Indiana*. Ind. Mag. of Hist., Dec., 1918. Pp. 36. The Populist party as an outgrowth of economic conditions. First instalment.
- Economic mobilization of the United States for the War of 1917*. Hist. Out., Jan., 1919. Pp. 14. An historical survey of the preparation for war along economic lines.
- List of the original Lancaster subscribers to the capital stock of the Philadelphia and Lancaster turnpike*. Lancaster County Hist. Soc., June, 1918. Pp. 8.

Economic History, Foreign

- ATTOLOCIO, B. and GIANNINI, F. *The industrial position of Italy*. Journ. Royal Stat. Soc., May, 1918. Pp. 49.
- COURANT, M. *Le Japon: son développement politique et économique depuis cinquante ans*. L'Econ. Franç., Oct. 5, 1918. Pp. 1½.
- DESCHAMPS, A. *Les moyens de la politique de conquête commerciale des marchés étrangers au XVII et au XVIII siècles*. Rev. d'Econ. Pol., July-Aug., 1918. Pp. 9.
- FRANK, T. *The economic life of an ancient city*. Classical Philology, July, 1918. Pp. 16.
- GUYOT, Y. *L'industrie de la laine et les autres industries textiles*. Journ. des Econ., Oct., 1918.
- JAU RÉGY, FROMENT, and STEPHEN. *L'industrie allemande et l'après-guerre*. Bull. Soc. d'Encouragement pour l'Industrie Nationale, May, June, 1918.
- L.-G. *La Nouvelle-Zélande*. Journ. des Econ., Oct., 1918.
- DE LAUNAY, L. *La valeur économique de l'Alsace-Lorraine*. La Nature, May 4, 1918. Pp. 8.
- NEWBIGIN, M. I. *Some aspects of the industrial revolution in western Europe*. Scottish Geog. Mag., July, 1918. Pp. 12.
- OUALID, W. *Les problèmes économiques de la nouvelle Europe centrale*. L'Europe Nouvelle, Nov. 16, 1918. Pp. 4.
- PAWLOWSKI, A. *L'industrie chimique française et la guerre*. Journ. des Econ., Oct., 1918. Pp. 11.

- RAFFALOVICH, A. *Quelques aspects de la situation en Allemagne*. L'Econ. Franç., Nov. 9, 1918. Pp. 2.
- SLATER, G. *South Indian economics*. Indian Journ. Econ., July, 1918. Pp. 13.
- YAMASAKI, K. *Recent economic developments in Japan in their relation to her trade with the United Kingdom*. Journ. Royal Stat. Soc., July, 1918. Pp. 10.
- Aspects de la situation économique en Allemagne*. L'Econ. Franç., Sept. 28, 1918. Pp. 2.
- Commerce and finance in the federated Malay states*. Scottish Bankers Mag., Oct., 1918.
- Industrial development of India*. Wealth of India, Aug., 1918.

Agricultural Economics

(Abstracts by A. J. Dadisman)

- APP, F. *Farm profits and factors influencing farm profits on 284 general farms and 75 dairy farms in Monmouth County, N. J.* N. J. Sta. Bull. No. 312, Jan., 1917. Pp. 89. A detailed study, with 85 tables, 8 plates, and 6 figures.
- CADY, V. M. *A western experiment in land settlement*. Survey, Sept. 21, 1918. Pp. 4. An argument in favor of the California plan of land settlement.
- CLOTHIER, R. W. *Farm organization in the irrigated valleys of southern Arizona*. U. S. Dept. Agr. Bull. 654, 1918. Pp. 58. A popular bulletin describing the agriculture in three widely separated areas in Arizona. Data shown in the tables were obtained from 627 survey records. Illustrated.
- COULTER, J. L. *Coöperation among farmers*. Mo. Bull. Mo. State Bd. of Agr., No. 10, Oct., 1918. Pp. 15. A popular discussion of principles of co-operation and their application.
- DUFOURMANTELLE, M. *Société d'Economie Sociale; reunion annuelle de 1917. La main-d'oeuvre agricole; comment y suppléer*. Réf. Soc., Sept. 16, 1917. Pp. 36. A discussion of the farm labor situation in France with suggestive solutions for some of the problems. Short discussions by others.
- DUNCAN, C. S. *Mercantile and agricultural economics*. Journ. Pol. Econ., Oct., 1918. Pp. 38. A very careful analysis of the essential differences between the farm as a business and other kinds of business, with special emphasis on accounting.
- GOLDENWEISER, E. A. and BALL, J. S. *Pasture land on farms in the United States*. U. S. Dept. Agr. Bull. 626, May, 1918. Pp. 94. A bulletin made up principally of tables and graphs showing total land, land in crops, land in pasture, and other farm land in the United States by states and counties. The data used were collected by the Bureau of Census in 1910.
- HANNA, G. *L'énergie électrique au village et son application à l'agriculture*. Le Musée Soc., July 1, 1918. Pp. 23. The production, distribution and sale of electricity in rural communities and suggestions for its utilization.

- HASKELL, E. S. *A farm-management survey in Brooks County, Ga.* U. S. Dept. Agr. Bull., No. 648, 1918. Pp. 64. A study of farm practice and cost of producing cotton in southwestern Georgia. Tables are based on survey records from 534 farms.
- HAWTHORNE, H. W. *A five-year farm management survey in Palmer township, Washington County, Ohio, 1912-1916.* U. S. Dept. Agr. Bull. No. 716. Sept., 1918. Pp. 53. Technical bulletin. A five-year study of 25 farms from survey records, with tables, figures and illustrations.
- KEATINGE, C. F. *Size of land holdings in the Bombay Presidency.* Indian Journ. Econ., July, 1918. Pp. 51. A history of the land holding system in Bombay Presidency and necessary evils arising therefrom. Appendices showing typical subdivisions of holdings, extent of similar systems in other countries with causes and remedial measures.
- DE MARCILLAC, A. *A propos de la main-d'oeuvre.* Réf. Soc., Sept. 16, 1917. Pp. 13. A discussion of the present farm labor situation and after-war problems in France, emphasizing the needs for better rural life.
- MAYLANDER, A. *Food situation in central Europe, 1917.* Bull. U. S. Bureau Lab. Stat. No. 242, Apr., 1918. Pp. 128. A summary of the food situation in 1917, outline of the food policy, tables with prices and weekly rations with comments and criticisms from daily papers.
- MEAD, E. *Summary of soldiers settlements in English-speaking countries.* U. S. Dept. Interior. 1918. Pp. 28. A summary of legislation, administration and progress of settlements for soldiers in the English-speaking countries.
- POIRIER, P. *Le Riz Italian.* Journ. des Econ., Oct., 1917. Pp. 7. Production and importance of rice in Italy with tables showing production, prices, exports and imports.
- SMITH, A. G. *A farm-management study in Anderson County, S. C.* U. S. Dept. Agr. Bull. 651, 1918. Pp. 32. A study of farm practice and cost of producing crops; data for tables and charts were taken from survey records of 112 farms.
- Farm allotments and farm laborers' allotments in the Durham state land settlement.* Bull. Cal. Land Settlement Board, 1918. Pp. 7. A brief statement of the progress and conditions of settlement, with diagram.

Railways and Transportation

(Abstracts by Julius H. Parmelee)

- ACWORTH, W. M. *The federal railroad administration of the United States.* Ry. Gaz. (London), Dec. 13, 1918. Pp. 10. Observations of a foreign student of American railway affairs.
- BARNUM, R. L. *Hines, railroad head.* N. Y. Eve. Post, Jan. 18, 1919. Pp. 2. Sketch of Director-General of Railroads, Walker D. Hines.
- BARNY, W. J. *The modern terminal port.* Freight Handling & Term. Engg., July, Aug., 1918. Pp. 2, 4.

- BESSE, P. *Le statut financier du réseau navigable*. L'Europe Nouvelle, Oct. 5, 1918. Pp. 4.
- CARTER, W. S. *Effect of federal control on railway labor*. Ry. Age, Dec. 13, 1918. Pp. 3. Situation outlined by director of Railroad Administration's Division of Labor.
- CLAGETT, B. *Organization of American railroads under government control*. Quart. Journ. Econ., Nov., 1918. Pp. 8.
- COLE, A. B. *Electric freight haulage is an economic duty*. Elec. Ry. Journ., Jan. 4, 1919. Pp. 10.
- COLE, A. B. *Electric railways to relieve congestion*. Freight Handling & Term. Engg., Aug., 1918. Pp. 2.
- COOPER, C. S. *Peru and its principal railways*. Ry. Rev., Jan. 4, 11, 18, 1919. Pp. 5, 5, 5. Illustrated.
- CUNNINGHAM, W. J. *The standardizing of operating statistics*. Ry. Age, Jan. 3, 1919. Pp. 6. Work of the operating statistics section, U. S. R. R. Administration.
- DANIELS, W. M. *Interstate Commission and federal control*. Ry. Rev., Nov. 16, 1918. Pp. 3. Address by chairman of Interstate Commerce Commission before National Association of Railway and Utilities Commissioners.
- DEWING, A. S. *The theory of railroad reorganization*. Am. Econ. Rev., Dec., 1918. Pp. 22. Summary of principles and aims underlying reorganization.
- DEWING, A. S. *The procedure of contemporary railroad reorganization*. Am. Econ. Rev., Mar., 1919. Pp. 33.
- DUNN, S. O. *American railway forces in the great war*. Ry. Age, Jan. 3, 1919. Pp. 17. Work of the transportation department, A. E. F.
- DUNN, S. O. *Great Britain faces serious railway situation*. Ry. Age, Dec. 27, 1918. Pp. 4. Physical problems, standardization of equipment.
- DUNN, S. O. *Opportunities for railway supply exports*. Ry. Age, Jan. 3, 1919. Pp. 4.
- GADSDEN, P. H. *Cohesive spirit of electric railway industry must be conserved and intensified*. Elec. Ry. Journ., Jan. 4, 1919. Pp. 3.
- GARRETT, G. P. *War's aftermath for the railroads*. No. Am. Rev., Dec., 1918. Pp. 7.
- GOLDMARK, P. *Women in the service of the railways*. Ry. Age, Dec. 6, 1918. Pp. 3. Growth in numbers employed and in field of service.
- HARRINGTON, J. W. *Electrify? How? When? Why?* Railroad Men's Mag., Nov. 2, 1918. Pp. 8.
- HUNGERFORD, E. *Uncle Sam, railroader*. Sat. Eve. Post, Dec. 28, 1918. Pp. 5.
- JOHNSON, A. B. *Shall American railways be Prussianized?* Ry. Age, Jan. 10, 1919. Pp. 3.
- KAHN, O. K. *Government ownership and war taxation*. Ry. Age, Nov. 13,

- 1918, 2d Sec. Pp. 5. Opposes primitive paternalism in either the railway or the tax field.
- LEE, B. *Constitutional objections to the railway control act.* Yale Law Journ., Dec., 1918. Pp. 8.
- McADOO, W. G. *The work of the division of operation.* Ry. Age, Jan. 10, 1919. Pp. 12. Summary of part of Director-General's annual report for 1918.
- MACCARTHY, C. P. *German plans for railway development in Africa.* Geog. Journ. (London), Nov., 1918. Pp. 8. Review of various German publications on the subject.
- McVEY, J. N. *Difficulties in handling French equipment.* Ry. Rev., Oct. 19, 1918. Pp. 4.
- MARCOSSON, I. F. *Army tracks and traffic in France.* Sat. Eve. Post, Dec. 7, 1918. Pp. 8. Illustrated. The work of our railway engineers and operators in France.
- NASH, L. R. *Recent developments in service-at-cost franchises for utilities.* Elec. Ry. Journ., Jan. 4, 1919. Pp. 19.
- PARMELEE, J. H. *Railway revenues and expenses in 1918.* Ry. Age, Jan. 3, 1919. Pp. 4. Record revenues of nearly five billions and expenses of four billions; net income nearly quarter billion less than government guarantee.
- PAYNE, J. L. *The confused railway situation in Canada.* Ry. Age, Jan. 3, 1919. Pp. 3.
- PRICE, T. H. *"The railroad bureau for brickbats and bouquets."* Ry. Age, Oct. 25, 1918. Pp. 4. Work of the Bureau for Suggestions and Complaints, U. S. R. R. Administration.
- PROUTY, C. A. *Progress report on the valuation work.* Ry. Age, Jan. 3, 1919. P. 1. Field work to be completed in 1919; entire work by January 1, 1922.
- RAYMOND, W. G. *The valuation aspect of abandoned property.* Ry. Age, Nov. 29, 1918. Pp. 3. An accounting problem of importance to the railways.
- REDFIELD, W. C. *Rail, water and road.* Nation's Business, Nov., 1918. Pp. 2. The interlocking service of the three methods of transportation.
- ROULAND, E. *Un projet de réquisition des chemins de fer.* L'Econ. Franç., Oct. 19, 1918. Pp. 2. Criticizes the proposal to place the French railways as a war measure under the direction of the Minister of Public Works.
- RUGGLES, C. O. *Railway service and regulation.* Quart. Journ. Econ., Nov., 1918. Pp. 51. Deals largely with problem of adequate supply and efficient utilization of railway equipment.
- SCHMIDT, E. C. *Work of the full conservation section.* Ry. Rev., Nov. 30, 1918. Pp. 4. Branch of U. S. R. R. Administration whose work reduced a saving in 1918 of at least 10,000,000 tons of fuel on the railways.

- SHONTS, T. P. *A memorandum on to-day's railroad problem in the United States*. Econ. Wld., Dec. 14, 1918. Pp. 2.
- SISSON, F. H. *A financial analysis of the railways in federal control*. Annalist, Dec. 9, 1918. P. 1.
- STEDMAN, E. A. *The American Railway Express Company*. Ry. Rev., Oct. 12, 1918. Pp. 3.
- STEMBRIDGE, E. C. *Railways in British Guiana*. Ry. Gaz. (London), Oct. 11, 1918. Pp. 3.
- SWAZEY, E. S. *Mexico as a potential market for railway supplies*. Ry. Age, Nov. 15, 1918. Pp. 3.
- TAYLOR, A. M. *Electric railways help win the war*. Elec. Ry. Journ., Jan. 4, 1919. Pp. 2.
- WANG, C. C. *Legislative regulation of railway finance in England*. Univ. Ill. Studies Soc. Sci., March-June, 1918. Pp. 196. Historical development of supervision over capital issues and accounts.
- WILHELM, D. *Is Uncle Sam to keep the railroads?* Independent, Nov. 30, 1918. Pp. 4. Largely a review of the work of the U. S. Railroad Administration.
- Annual report Interstate Commerce Commission*. Ry. Age, Dec. 6, 1918. Pp. 8. Digest of commission's report to Congress for 1918.
- Argentine railways in 1917-18*. No. 1. Ry. Gaz. (London), Dec. 13, 1918. Pp. 2. Gross receipts increased, but net declined.
- Brazilian railways*. Ry. Rev., Oct. 19, Nov. 16, 1918. Pp. 2, 4. Abstract of report of Bureau of Foreign and Domestic Commerce.
- A chronological history of government control*. Ry. Age, Jan. 3, 1919. Pp. 2.
- The coming industrial expansion of the world*. Ry. Age, Nov. 22, 1918. Pp. 3. Report issued by Guaranty Trust Company; new railroad construction as a factor.
- Government locomotive orders predominate in 1918*. Ry. Age, Jan. 3, 1919. Pp. 4. Locomotive production greatest since 1907.
- The gravity of the railroad situation*. Com. & Finan. Chron., Jan. 4, 1919. Pp. 3. Increased labor and other costs leading to financial difficulties.
- I. C. C. opposes government railroad operation*. Ry. Age, Jan. 10, 1919. Pp. 4. Statement submitted by Interstate Commerce Commission to Senate committee on interstate commerce.
- McAdoo proposes extension of federal control*. Ry. Age, Dec. 13, 1918. Pp. 2.
- "Nationalization" of British railways*. Ry. Gaz. (London), Dec. 13, 1918. Pp. 4. Legislation governing terms of purchase, and possible cost.
- Nearly quarter million men in service*. Ry. Age, Jan. 3, 1919. Pp. 2. Contribution of American railways to military service in the war: 220,000 men, or 12 per cent of the total force employed.
- Only a small addition to main track mileage*. Ry. Age, Jan. 3, 1919. Pp. 10.

- Detail of railway construction during 1918; 721 new miles of lines, less than any year since Civil War.
- Opinion of railway supply industry sought.* Ry. Age, Dec. 27, 1918. Pp. 2. Questionnaire on the railway problem submitted to the membership of Railway Business Association.
- President proposes to relinquish railroads.* Ry. Age, Dec. 6, 1918. Pp. 2. Discussion of section of President's annual message to Congress dealing with the railway problem.
- Railroad commissioners annual convention.* Ry. Rev., Nov. 23, 1918. Pp. 7. Digest of proceedings of National Association of Railroad and Utility Commissioners.
- Railroad policy discussed by Walker D. Hines.* Ry. Age, Dec. 20, 1918. Pp. 6. Assistant Director-General of Railroads advocates five-year extension of government control.
- Railway executives' plan for regulation of railways.* Ry. Rev., Jan. 11, 1919. Pp. 3. Railway reconstruction program submitted to Senate committee on interstate commerce.
- The railways of Syria.* Ry. Gaz. (London), Dec. 20, 27, 1918. Pp. 2, 1.
- Receivership and foreclosure sales in 1918.* Ry. Age, Jan. 3, 1919. Pp. 2. Over 20,000 miles of railway in receivers' hands on December 31, 1918.
- A review of railway signaling for the past year.* Ry. Age, Jan. 3, 1919. Pp. 7. New signals nearly all of automatic type. Signals installed on 2000 miles in 1918.
- State ownership and operation of railways.* Ry. Gaz. (London), Jan. 3, 10, 1919. Pp. 4, 4. Digest of evidence before South African commission of inquiry into policy of state ownership.
- A year of prosperity for railway labor.* Ry. Age, Jan. 3, 1919. Pp. 6. Labor supply, immigration, wages, etc., reviewed.

Commerce

(Abstracts by H. R. Tosdal)

- ABNEY, J. P. *Speculating vs. gambling in the commodity and security markets.* Econ. Wld., Oct. 26, 1918. Pp. 2. Examines transactions, especially in cotton futures, with special reference to a distinction between gambling and speculation. Adds nothing to previous discussions.
- ANDERSON, B. M., JR. *Why price-fixing is not justifiable as a peace-time policy.* Trust Companies, Nov., 1918. Pp. 5. Upholds price-fixing as a concomitant of war-time conditions, but takes the position that such exercise of government control cannot be justified as a permanent or peace time policy. The influences which determine prices are so far reaching that complete regulation would be unsuccessful in peace time.
- BAWLF, W. R. *Marketing Canada's grain crop under government control.* Econ. Wld., Oct. 12, 1918. Pp. 2. Description of government control of

marketing of wheat and comparison with methods followed in the United States.

BRADFORD, E. A. *Relation to producer and retailer of fixed-price problem.* Annalist, Dec. 2, 1918. P. 1. Discusses Federal Trade Commission's account of its work and its differences from the courts in the application of the law. Holds that competition in production serves the public better than war between resellers.

DEVINCK, R. *Cherbourg, grand port commercial.* L'Europe Nouvelle, Sept. 21, 1918. Pp. 2. Short historical and geographical description of Cherbourg.

DUREAU, G. *La question des sucres en 1918.* Journ. des. Econ., Nov., 1918. Pp. 14. After brief historical survey of Brussels Sugar Convention and its denunciation by France and England, examines prospective sugar policy in both countries.

ELDERED, W. *The wheat and flour trade under Food Administration control, 1917-1918.* Quart. Journ. Econ., Nov., 1918. Pp. 70. An excellent critical examination of government control. Though in the enforcement of conservation the government was not so successful, the stabilization of prices and equable distribution of available wheat were achievements of first importance.

GERSTENBERG, C. W. *Sees business depression a step to ultimate prosperity.* Annalist, Dec. 2, 1918. P. 1. Expects to see prices fall and business decline unless the government intervenes to maintain a demand for industrial products or the Versailles Conference decrees a temporary, continued circulation of world-wide inflated currency, both of which are unlikely.

HANEY, L. H. *Price fixing in a competitive industry: a pioneer case.* Am. Econ. Rev., Mar., 1919. Pp. 10.

KERSHAW, J. P. C. *"Key" industries and their "after the war" development in the United Kingdom.* Finan. Rev. Rev., Dec., 1918. Pp. 17. Urges building up British control of key industries (i. e., basic industries supplying materials and fundamental industrial equipment) by securing control of raw materials, cheap and plentiful supplies of skilled labor, and good organization. Favors protective tariffs if necessary.

LECARPENTIER, G. *Le commerce Franco-Balkanique et son avenir.* L'Econ. Franç., Nov. 30, 1918. Pp. 3. The second of two statistical surveys of France's commerce with the Balkans, taking up Greece, Bulgaria, and Serbia.

MAITRE, J. *L'exportation française et son avenir.* Ref. Soc., Nov. 16, 1918. Pp. 13. Brief but searching inquiry into conditions and requirements for development of French exportation.

MORSE, L. K. *The price-fixing of copper.* Quart. Journ. Econ., Nov., 1918. Pp. 35. An interesting account of conditions in copper industry leading to government regulation. Asserts that there has been no profiteering.

- PAYEN, E. *Le pétrole, sa production dans le monde*. L'Econ. Franc., Oct. 26, 1918. Pp. 2. Brief sketch of international petroleum production with some reference to price developments.
- PAYEN, E. *La production houillère française avant, pendant et après la guerre*. L'Econ. Franc., Nov. 16, 1918. Pp. 2. Shows by statistics the decline in domestic production and imports during the war and present prospects.
- ROVENSKY, J. E. *America the creditor nation*. Bankers' Mag., Oct., 1918. Pp. 5. Sketches transition of the United States from debtor to creditor nation and the accompanying increase in financial power and opportunity.
- SCHMIDT, L. W. *Testing the buying power of a foreign market*. Am. Mach., Sept. 26, 1918. Suggestions for estimating probable markets in foreign countries.
- SMITH, G. E. *The realities to be faced in connection with our foreign trade after the war*. Econ. Wld., Nov. 9, 1918. Pp. 2. Emphasizes need of definite foreign trade policy and urges co-operation in the development of the export trade.
- STAMP, J. C. *The effect of trade fluctuations upon profits*. Journ. Royal Stat. Soc., July, 1918. Pp. 45. Excellent paper read before the Royal Statistical Society. After discriminating use of various refinements of statistical method, concludes that effect of trade fluctuations upon profits is much less than commonly supposed.
- SWAZEY, E. S. *Foreign demand and reduced supply back of high meat prices*. Annalist, Dec. 23, 1918. Pp. 2. An independent investigation seems to support the contention of the packers in their controversy with the Federal Trade Commission. Per thousand of population, meat cattle have dropped from 840 in 1900 to 640 in 1918; yet, even with immense European demand, net earnings are said to have risen only 0.63 per cent.
- SWAZEY, E. S. *Prospective after-war demand assures United States cotton future*. Annalist, Oct. 28, 1918. Pp. 2. Replacement demands should augment the normal increase and assure continued prosperity to cotton producers.
- An analysis of China's foreign commerce during the past decade*. Econ. Wld., Nov. 2, 1918. Pp. 2. Statistics of imports and exports. Asserts that China offers one of most tempting fields for American manufactures.
- China's great natural resources at America's command*. Annalist, Jan. 6, 1919. Pp. 2. Asserts that American capital would be welcomed in the development of great natural resources, some of which are described.
- Food control in the United States*. Mo. Lab. Rev., Sept., 1918. Pp. 8. Brief and incomplete sketch of later developments in food control.
- Iron in the Americas*. Bull. Pan Am. Union, Aug., 1918. Pp. 15. Popular article upon iron industry with special reference to the development in Latin-American countries.
- Needs of South American markets*. World's Markets, Sept., 1918. Pp. 3. Extracts from an extensive survey of South American markets written by Mr. Percy F. Martin for the *London Times*.

Ore advanced 25 cents and pig iron \$1. Iron Age, Sept. 26, 1918. An account of action by price-fixing conference at Washington.

Woolen industry hopefully faces after-war conditions. Annalist, Nov. 4, 1918. Optimistic survey of woolen industry, based upon assumption that foreign and domestic civilian demand and necessity for replenishing supplies will bring continued prosperity.

The work of the War Trade Board. World's Markets, Aug., 1918. Pp. 5. Interesting account taken from various sources of the organization and activities of the War Trade Board.

Accounting

(Abstracts by Martin J. Shugrue)

CHASE, H. S. *Governmental sinking funds, serial bonds and depreciation reserves.* Journ. Account., Oct., 1918. Pp. 5. An address before the Dominion Association of Chartered Accountants, Montreal, September, 1918. Advantages of serial bonds over sinking fund bonds. Necessity for depreciation reserves in all public service accounting.

COOKE, M. L. *True cost finding. What it can do for the railroads.* Indus. Management, Jan., 1919. Pp. 3. Main purpose in collecting cost data is not to save money but to measure efficiency. What cost finding will do and how it may be brought about.

DAVIS, F. W. *Outline of a cost accounting system for a wooden ship yard.* Journ. Account., Jan., 1919. Pp. 14. While primarily intended for use in wood ship yards, can also be used with modifications in steel ship yards. Is in accordance with views of the Emergency Fleet and United States government accountants as the writer interprets them and he does not claim to be its originator.

FERNALD, H. B. *Capital accounts of a municipality.* Journ. Account., Oct., 1918. Pp. 9. Some problems connected with the proper treatment of the capital accounts of a municipality particularly from the standpoint of the citizen and taxpayer.

HARRISON, G. C. *Cost accounting to aid production.* I, II, III, IV. Indus. Management, Oct., Nov., Dec., 1918, Jan., 1919. Pp. 9, 8, 8, 7. (1) How the well recognized principles of industrial management may be applied to a system of cost accounting to render it more useful by assisting production. Illustrated with diagrams. (2) Points out the necessity of establishing a system of standard costs before planning and dispatching methods are installed. Illustrated with diagrams. (3) States emphatically the need of a business for a well and carefully planned cost accounting system. Illustrates by diagram the basic features of a simple cost system for a business manufacturing various kinds of machines of a standard character. (4) Where considerable refinements are necessary, accurate costs can best be obtained by using machine rates. A method of obtaining these machine rates is illustrated in detail bringing in the use of punched cards and sorting and tabulating machines.

HOLLOWAY, C. B. *Carrying on with the accountants in the American Expedi-*

- tionary Forces.* Journ. Account., Dec., 1918. Pp. 5. Brief description of the magnitude and scope of the accounting and finance operations.
- HOLMES, E. J. *Accounting systems in army camps.* Journ. Account., Dec., 1918. Pp. 6. Explains in a general way the accounting system in army camps in connection with the disbursement of regular funds for authorized expenditures. Payrolls of enlisted men and officers' pay form largest part of work.
- MAPES, L. D. *Accounting of Commission for Relief in Belgium.* Journ. Account., Jan., 1919. Pp. 5. An interesting description of the accounting work of the commission, which had relations with over 100 principal committees and which in turn covered a field of over 2,000 subcommittees.
- PHILBRICK, A. L. *Verification of inventories.* Journ. Account., Dec., 1918. Pp. 12. An interesting article explaining the position and moral and legal responsibility of the auditor in reference to the verification of inventory figures.
- STEVENS, E. O. *Verification of the accounts receivables.* Pace Student, Nov., 1918. Pp. 3. Explains a practical method of testing the value of a concern's accounts receivable.
- WEST, W. H. *Accounting for cantonment construction.* Journ. Account., Nov., 1918. Pp. 6. The important part accountants played in the successful construction work of army cantonments.
- American Institute of Accountants, November, 1918, examinations.* Journ. Account., Dec., 1918. Pp. 11. Contains questions on three general subjects: auditing, commercial law, and accounting theory and practice.

Labor and Labor Organizations

(Abstracts by George E. Barnett)

- BROWN, J. W. *Judicial regulation of rates of wage for women.* Yale Law Journ., Jan., 1919. Pp. 19. Discusses the principles which should determine the minimum wage for women in an occupation in which both women and men are employed.
- COLE, G. D. H. *British labor and reconstruction.* Dial, Nov. 30, 1918. Pp. 4. British labor has no reconstruction policy.
- FAWCETT, MRS. *Equal pay for equal value.* Contemp. Rev., Oct., 1918. Pp. 5. Repudiates the "standard of living" as a basis for fixing the wages of women.
- FITCH, J. A. *The guild reappears in industry.* Survey, Nov. 16, 1918. Pp. 2. The New York local photo-engravers' union fixes a minimum selling price for plates, to which employers must conform.
- HOBBS, M. A. *War time employment of women.* Am. Lab. Legis. Rev., Dec., 1918. Pp. 6. Summary of the more important facts.
- McLARTY, D. L. *Payment by results.* Engg. Mag., Sept. 13, 1918. Explains the premium bonus system with examples worked on the Rowan system.
- LEROY, M. *Les nouvelles tendances syndicales.* L'Europe Nouvelle, Sept., 28, 1918. Pp. 4. The idea that the present social order is to be destroyed is losing ground.

- MOSES, M. *Compulsory arbitration in Great Britain during the war*. Journ. Pol. Econ., Nov., 1918. Pp. 19. From a historical and statistical survey of labor disturbances during the war, reaches the conclusion that the efficiency of anti-strike legislation is doubtful.
- PICARD, R. *Les congres ouvrieres francais en juillet 1918*. Rev. d'Econ. Pol., July-Aug., 1918. Pp. 16. Summarizes the debates and resolutions of the 1918 session of the G. C. T.
- PRENTISS, F. L. *Putting women into the machine shop*. Iron Age, Oct. 10, 1918. Successful in Cleveland plants; qualities in which women excel.
- SANGER, S. *Labour questions in the peace settlement*. Contemp. Rev., Oct., 1918. Pp. 9. Argues that a permanent commission is a prime requisite for securing international labor treaties.
- SCHARRENBURG, P. *Sanitary conditions in labor camps*. Am. Fed., Oct., 1918. Pp. 3. The results produced by the California law of 1913 briefly set forth.
- SQUIRES, B. M. *New York harbor wage adjustment*. Mo. Labor Rev., Sept., 1918. Pp. 27.
- STONE, N. I. *Buying unemployment insurance cheap*. Survey, Dec. 28, 1918. Pp. 2. Urges the immediate cancellation of war contracts coupled with provision of unemployment benefits for the workers thus made idle.
- WOLF, D. *A tested profit-sharing plan*. Indus. Management, Dec., 1918. Pp. 3. Description of the plan of the Miller Lock Company.
- Awards and findings of the National War Labor Board*. Mo. Lab. Rev., Sept., 1918. Pp. 11.
- Cost of industrial boards: review, 1917-18*. N. S. Wales Indust. Gaz., Sept., 1918. Pp. 16.
- Demobilisation and resettlement*. Lab. Gaz. (London), Nov., 1918. Pp. 3. Description in broad outline of the English plan.
- Health hazards in the cloth sponging industry*. Special Bull. N. Y. Dept. Lab., No. 89, Nov., 1918. Pp. 24.
- Interim report of Royal Commission appointed to investigate the dispute existing on the British Columbia coast between various ship owners and their employees*. Lab. Gaz., Oct., 1918. Pp. 7. The employers concerned were masters and mates, members of the Canadian Merchant Service Guild.
- Labour in the treaty of peace*. New Statesman, Oct. 12, 1918. Pp. 2. Urges the inclusion in the treaty of the provisions formulated by the English labor party.
- Minimum wage legislation in U. S.* Am. Lab. Legis. Rev., Dec., 1918. Pp. 10. Digest of the laws.
- The problem of demobilization*. Journ. Pol. Econ., Dec., 1918. Pp. 19. An analysis of the problem into its elements.
- Rates of wages paid to workers placed by public employment offices in the United States, July, 1918*. Mo. Lab. Rev., Sept., 1918. Pp. 25.

Regulations of women's working hours in the U. S. Am. Lab. Legis. Rev., Dec., 1918. Pp. 16. General view of the existing legislation.

Report of Royal Commission appointed to inquire into the alleged unrest existing in the shipbuilding industry in the province of Quebec. Lab. Gaz. (Canada), Nov., 1918. Pp. 18. The commission acted in a mediatory capacity in several disputes, the details of which are set forth in the report.

Review of labor legislation of 1918. Am. Lab. Legis. Rev., Sept., 1918. Pp. 40.

Union scales in the building, metal and granite and stone trades and in freight handling. Mo. Lab. Rev., Sept., 1918. Pp. 18.

Money, Prices, Credit, and Banking

(Abstracts by Chester A. Phillips)

ANDERSON, B. M., JR. *The benefits of price readjustment.* Econ. Wld., Dec. 28, 1918. Pp. 3. Artificial control of business and prices should be dispensed with as early as possible. Unemployment should be held in check by government expenditure on useful works.

ANDERSON, B. M., JR. *When war ends and prices drop.* Econ. Wld., Nov. 23, 1918. Pp. 5. A cautious forecast.

BARRÉ, M. *La circulation fiduciaire, la thésaurisation et la hausse des prix.* Rev. d' Econ. Pol., July-Aug., 1918. Pp. 14. Traces the growth in note issue of the Bank of France and holds the state, a heavy borrower, responsible for the rise in prices since 1914.

BENHAM, R. *The raising of fresh banking capital.* Bankers' Mag. (London), Oct., 1918. Pp. 6. The ratio of capital to deposits in English banking has become dangerously low.

COOPER, H. E. *The gold situation and the standard of value.* Trust Companies, Oct., 1918. Pp. 3. Advocates a bounty on gold production.

EMERY, H. C. *Impression of German and Russian banks.* Guaranty News, Dec., 1918. Pp. 7. Illuminating observations on banking and economic conditions in Russia and Germany in the later war period.

FRAME, A. J. *High living cost laid to war's effect on labor and supply.* Annalist, Nov., 1918. Pp. 2.

HULBERT, E. D. *Trust companies and federal reserve system.* Trust Companies, Oct., 1918. Pp. 3. Criticism of the rediscount policy of the federal reserve system.

JOHNSTON, T. B. *The financing of industry after the war: the acceptance system.* Scottish Bankers Mag., Oct., 1918. Pp. 7. The adoption of "the French system of sending acceptances with invoices" would provide additional working capital for Scotch industry and trade.

LARMER, E. M. *The cattle-loan company.* Journ. Pol. Econ., Oct., 1918. Pp. 24. The main topics treated: types and location of cattle-loan companies, types of cattle loans, the credit analysis made by the cattle-loan company, the marketing of cattle paper, the correlation of cattle-loan companies and allied banks, the economic services of cattle-loan companies.

- LEHMFELDT, R. A. *Contrôle international de la production de l'or*. Journ. des Econ., Oct., 1918. Pp. 9.
- MILLER, A. C. *After-war readjustment in the U. S. rectifying the price situation*. Econ. Wld., Jan. 4, 1919. Pp. 6. Industrial enterprise would be placed on a sound basis and permanently benefited by a quick process of deflation.
- MOULTON, H. G. *Commercial banking and capital formation*. IV. Journ. Pol. Econ., Nov., 1918. Pp. 32. Discussion of the theory of capital formation. The extension of credit by commercial banks has effected an increase in the physical volume of trade.
- PALGRAVE, R. H. I. *The bank notes circulating in the United Kingdom*. Bankers Mag., (London), Nov., 1918. Pp. 5. Historical account of bank notes in the United Kingdom since 1844. Recommends the restoration of the note issue to the banks of England and Wales.
- PULLEYN, J. J. *Amortization of real estate mortgage loans*. Journ. Am. Bankers Assoc., Dec., 1918. Pp. 4. A movement is growing in favor of the amortization of real estate loans made by savings banks.
- PUTNAM, G. E. *The federal farm loan system*. Am. Econ. Rev., Mar., 1919. Pp. 23.
- RAFFALOVICH, A. *La réforme de la Banque d'Angleterre*. Journ. des Econ., Nov., 1918. Pp. 6. A consideration of the recommendations of the Cunliffe committee.
- RICHARDS, H. G. "Amalgamations." Finan. Rev. of Rev., Dec., 1918. Pp. 8. The number of English banks has been reduced in twenty years from two hundred to less than thirty. The expansion of industry is the cause and justification of bank amalgamations.
- RIST, C. *La Banque d'Emission Austro-Hongroise et les banques de dépôt, etc.* Rev. d'Econ. Pol., July-Aug., 1918. Pp. 8. Historical account, 1913-1917.
- ROBERTS, G. E. *Processes of "deflation" and restoring credit to normal levels*. Trust Companies, Dec., 1918. Pp. 3.
- SABIN, C. H. *Banking and trust company evolution as affected by the war*. Trust Companies, Oct., 1918. Pp. 6. Tendencies and prospects in state, national, and international banking.
- SCUDDER, H. T. *Holds federal reserve system responsible for inflation*. Analyst, Nov. 4, 1918. Pp. 2.
- SCUDDER, H. T. *Suggests a government stabilizer to control living cost*. Analyst, Dec. 16, 1918. Recommends the regulation of uncovered paper money as a means of stabilizing prices.
- SPRAGUE, O. M. W. *Gold and credit as related to world reconstruction*. Analyst, Jan. 6, 1919. Pp. 2. Urges the adoption of unified and coöperative credit policy by the great central banks of the world.
- TAMHAUSER, V. V. *Hoarding of gold in India: fact or fiction?* Wealth of India, Sept., 1918. Pp. 3. India utilizes the precious metals as money and in the arts but does not hoard them.

- TREMAN, R. H., SANDS, O. J., and WOODRUFF, G. *Report of committee on trade acceptances*. Journ. Am. Bankers Assoc., Nov., 1918. Pp. 2. Historical sketch of the trade acceptance in United States and a statement of partially solved problems connected with its introduction.
- VENKATESWARA, S. V. *Mughal currency and coinage*. Indian Journ. Econ., July, 1918. Pp. 12.
- WILLIS, H. P. *War finance inflation directly back of rising cost of living*. Annalist, Nov. 11, 1918. Pp. 2. Our rising prices have been due chiefly to the expansion of long-term bank credit.
- Bank amalgamations*. Journ. Inst. Bankers, Oct., 1918. Pp. 4. Recent English bank mergers.
- Bank of the Netherlands*. Bankers Mag. (London), Nov., 1918. Pp. 12. Translation of annual report.
- Currency after the war*. Bankers Mag. (London), Dec., 1918. Pp. 11. Report of the Cunliffe committee acknowledges the evils of inflation and recommends the retirement of treasury notes and a sharp curtailment of bank loans.
- The imperial bank of Germany*. Bankers Mag. (London), Oct., 1918. Pp. 16. Report for 1917.
- La question de l'or*. L'Econ. France, Dec. 7, 1918. Pp. 3. Statistical account of the world's declining gold production and a critical consideration of suggested remedies.

Public Finance

(Abstracts by Charles P. Huse)

- BARTH, C. G. *The income tax. An engineer's analysis with suggestions*. Journ. Engrs. Club Phila., June-July, 1918. Pp. 21. Develops a mathematical formula for determining rates.
- BEEBE, H. F. *Federal taxation of income from bonds of states and their subdivisions*. I. B. A. of A. Bull., Oct. 1, 1918. Pp. 3. Believes the proposal both unconstitutional and inexpedient.
- BELL, S. *The Cambridge, Massachusetts, system of real estate assessment (with discussion)*. Boston Soc. Civil Engrs. Journ., Sept., 1918. Pp. 26.
- BELLOM, M. *Une erreur dans la taxation du blé*. Journ. des Econ., Oct., Nov., 1918. Pp. 6, 7. A curious result of the method of taxing wheat.
- BRUERE, H. *The solution of an important fiscal problem undertaken by the Mexican government with American advice*. Econ. Wld., Dec., 1918. Pp. 2. Describes investigations made by American financial experts and gives their recommendations to the Carranza government.
- DAVENPORT, H. J. *The stock dividend again*. Bull. Nat. Tax Assoc., Nov., 1918. Pp. 2. This application of the theory of the income tax shows that it "is really indefensible in strict logic."
- DAVENPORT, H. J. *The war-tax paradox*. Am. Econ. Rev., Mar., 1919. Pp. 13.
- DAVENPORT, H. J. *Would heavier taxes serve better than bond issues?* An-

nalist, Oct. 28, 1918. Pp. 2. Points out clearly the process by which bond issues bring about inflation.

DONAHEY, A. V. *Limit bond issues as well as tax levies.* Ohio Journ. Comm., Apr. 1, 1918. Mr. Donahey, the auditor of state, points out the enormous growth of public debts in Ohio, defends the Smith tax limitation law, and urges the extension of the principle of limitation to the creation of debt. He closes with some pertinent remarks upon economy in public administration.

DOUCET, R. *La taxe sur le luxe.* Le Monde Econ., Oct. 12, 1918. Pp. 3. The French tax of 10 per cent on luxuries has been very productive of revenue.

E. P. *Les discussions de la Société d'Economie politique de Paris: aspect économique des dépenses de guerre.* L'Econ. Franc., Oct. 19, 1918. Pp. 4. A discussion of the economics of war with illustrations from the experience of France and the United States.

FEUGÈRE, E. *La situation financière du département de la Seine.* L'Econ. Franc., Nov. 23, 1918. Pp. 2. Describes the budget of 1918.

FRIDAY, D. *The taxable income of the United States.* Journ. Pol. Econ., Dec., 1918. Pp. 18. An estimate of the national income and of the income subject to the excess profits and income taxes.

G. J. *Les finances de guerre de l'Angleterre. La situation financière et le contrôle financier. Discours de Mr. Bonar Law 18 juin, 19 juin, 1er août 1918.* Rev. Sci. Legis. Finan., July-Sept., 1918. Pp. 52. Deals with the growth of public expenditures and its causes, the relation between the issue of treasury notes and rising prices, the growth of the debt, and the problem of securing economies.

GARDNER, H. B. *Consumption taxes.* Bull. Nat. Tax Assoc., Oct., 1918. Pp. 4. For war purposes, urges their use to a much greater extent in this country.

GARY, J. V. *A brief history of tax reform in Virginia.* Bull. Nat. Tax Assoc., Nov., 1918. Pp. 4. Classification of property and segregation of income have proved very successful.

GEFHART, W. F. *An analysis of the operation of the general property tax in Missouri.* Wash. Univ. Studies, Oct., 1918. Pp. 23. A valuable study, presenting unusual evidence of the injustice of an antiquated system.

HARPER, E. J. *The bases of local taxation in England.* Journ. Royal Stat. Soc., May, 1918. Pp. 52. A critical study, with statistical tables and diagrams, and suggestions for reforms.

HOLCOMB, A. E. *Pending revision of the income and profits taxes.* Bull. Nat. Tax Assoc., Oct., 1918. Pp. 7. Analyzes the bills, pointing out changes.

HOLLANDER, J. H. *Certificates of indebtedness in our war financing.* Journ. Pol. Econ., Nov., 1918. Pp. 8. A brief account of their issue, distribution and employment.

HOLMES, C. E. *The excess profits tax of 1917.* Parts I and II. Bull. Nat. Tax Assoc., Oct., Nov., 1918. Pp. 5, 8. Gives the history of the act and analyzes its provisions.

- HUNTER, M. H. *Taxation of public service corporations in the state of New York*. Parts I and II. Bull. Nat. Tax Assoc., Nov., Dec., 1918. Pp. 6, 6. Traces the history of the laws from 1823 on, discussing their application, and comparing them with the systems in other states. Concludes that New York system is far too complex.
- JEVONS, H. S. *The art of economic development (continued)*. V. *Principles of finance*. Indian Journ. Econ., July, 1918. Pp. 34. The definition and scope of finance. Taxable capacity, and the economic returns from different classes of expenditures.
- JÈZE, G. *Les finances de guerre de la France: les nouveaux impôts de guerre: énumération; rendement probable; appréciation; la question des impôts directs et des impôts indirects*. Rev. Sci. Légis. Finan., July-Sept., 1918. Pp. 61. A critical discussion of the theories underlying the French system of taxation.
- KAHN, O. H. *Observations on important war problems of the United States*. Econ. World, Oct. 19, 1918. Pp. 4. Advocates a wider range of taxation, especially more consumption taxes.
- MANIERRE, C. E. "Value" in real estate assessment. Bull. Nat. Tax Assoc., Nov., 1918. Pp. 3. Interesting discussion based on legal decisions and New York's experience.
- MARRIOTT, J. A. R. *National expenditure*. Edinburgh Rev., July, 1918.
- NOYES, G. R. *Fallacies of war finance. How taxation and bonds should pay for the war*. Yale Rev., Oct., 1918.
- POWELL, H. M. *Should the excess profits tax be deducted in computing the New York franchise tax?* Bull. Nat. Tax Assoc., Dec., 1918. Pp. 7. Finds that the state law does not authorize deduction.
- RAFFALOVICH, A. *Quelques problèmes financiers résultant de la dislocation de l'Autriche*. L'Econ. Franc., Nov. 23, 1918. Pp. 2. Discusses the future of the public debt and points out the extent of French investments in Austria prior to the war.
- SELIGMAN, E. R. A. *Post-bellum fiscal projects in Great Britain and France*. Bull. Nat. Tax Assoc., Dec., 1918. Pp. 3. A discussion of the capital levy based on English and French books on the subject.
- SKELTON, O. D. *Canadian federal finance*. II. Bull. Dept. Hist. in Queen's Univ., Oct., 1918. Pp. 34. A critical survey of Canadian war finance, comparisons with other countries, and suggestions for improvements.
- SURET, L. *La dette austro-hongroise et la situation nouvelle de la double monarchie*. L'Europe Nouvelle, Nov. 9, 1918. Pp. 4. Traces the growth of the war debt and recommends its assumption by the new states formed out of the empire on the basis of income tax collections.
- WOOD, E. M. *Assessment and taxation of property in Manitoba municipalities*. West. Munic. News, Nov., 1918. Pp. 3.
- The alternatives to protection*. New Statesman, Sept. 21, 1918. Pp. 3. Advocates nationalism as a means of meeting foreign competition.

- A criticism of local taxation in England.* Land Values, Oct., 1918. Pp. 2. Describes the basis of taxation, exemptions, and applications of the law.
- Federal taxation of income from state and municipal bonds.* Econ. Wld., Oct. 19, 1918. Pp. 2. Discusses the proposal from both the legal and the economic points of view.
- Income tax plans of House and Senate compared.* Annalist, Dec. 30, 1918. Pp. 2.
- Japan's general budget for the financial year 1918-1919.* Econ. Wld., Dec. 7, 1918. Pp. 2. Plans increased expenditures for public defense and public works and corresponding increases in revenues from taxes and loans.
- The New York state legislative budget and financial measures for 1918.* Munic. Research, No. 93, 1918. Pp. 135. Traces the development of the present legislative budget system, examines its working, and demands that it be given up in favor of an executive budget.
- Receipts of the state government.* Cal. Taxpayers' Journ., Dec., 1918. Pp. 9. A statistical study of the receipts of the state for a period of years.
- Report on the war revenue bill.* Bull. N. Y. Chamb. Comm., Oct., 1918. Pp. 8. Finds taxes too high and their incidence too limited.
- Section of pending revenue bill relating to inventories.* Bull. N. Y. Chamb. Comm., Nov., 1918. Pp. 12. When inventories must be used to determine net income, allowance should be made for increases in the cost of merchandise.

Insurance and Pensions

(Abstracts by Henry J. Harris)

- ALBU, A. *Die Einwirkung der Ernährung, insbesondere der Kriegsernährung, auf die Lebensdauer.* Ann. d. ges. Versicherungswesens, Oct. 17, 24, 31, Nov. 7, 14, 1918. Pp. 15. Mortality of persons over 60 has increased to a marked degree; tuberculosis has increased especially among the poorer classes; children and young persons have suffered from insufficient food but as yet there are no data available to show an increase of mortality; inmates of institutions show higher mortality. In general the defective nutrition of the war has not reduced the duration of life in Germany.
- ASHLEY, C. H. *Decreasing debts on endowment assurances.* Journ. Inst. Actuaries, Oct., 1918. Pp. 10. Where the investment element appeals to the assured (as in the case of unmarried young men), the decreasing debt system can be used for sub-standard lives. Gives tables, graphs and formulas for such system.
- BUSER, G. *Vollwertversicherung, Bruchteilversicherung und Versicherung auf "Erstes Risiko."* Ann. d. ges. Versicherungswesen, Aug. 1, 8, 15, 1918. Pp. 2, 2, 2. Review of law and practice in fire, burglary, etc., insurance.
- DALY, T. F. *Government in private business.* Econ. Wld., Oct. 12, 1918. Pp. 3. The government in the insurance business would destroy initiative and stop progress.
- DEVINCK, R. *Les assurances sur la vie et la guerre.* L'Europe Nouvelle, Oct. 26, 1918. Pp. 2. Most of the French policies contained clauses sus-

pending them during war. In the after-war period new forms of policy must be provided, more equitable and more in accordance with public welfare.

DOUGLAS, E. C. *The essential facts about annuities.* Econ. Wld., Nov. 6, 1918. Pp. 2. Advantages, forms, uses, etc.

ELSTER, A. *Kinderfürsorge im Rahmen der Sozialversicherung.* Zeitschr. f. d. ges. Versicherungswis., Oct., 1918. Pp. 10. The sickness and the invalidity-survivors' insurance have benefits directly affecting the welfare of children; they should be developed.

FORT, F. W. *What is needed for the development of retrocession re-insurance in the United States.* Econ. Wld., Nov. 23, 1918. Pp. 4. Outline of needed legislation to promote this feature of the fire insurance business.

HARDISON, F. H. *Fire insurance agency and brokerage problems.* Econ. Wld., Nov. 2, 1918. Pp. 2.

HOFFMAN. *Die Kriegsgesetze für die deutsche Krankenversicherung.* Oester. Zeitsch. f. öff. und priv. Versicherung, Vol. 8, Heft 2, 1918. Pp. 17. Summary of the German laws up to January, 1918.

HOFFMAN, F. L. *The social and economic failure of German compulsory health insurance.* Econ. Wld., Dec. 14, 21, 1918. Health insurance was instituted to prevent the spread of socialism but failed to do so; its effect has been to encourage malingering.

HOMANS, I. S. *Life insurance casualties in the great war.* Econ. Wld., Oct. 5, 1918. Pp. 5. In spite of the increased death rate caused by the war (and this has been considerable) it has not caused a mortality in excess of the tabular rate. In Canada in 1917 the war caused an increase in the death claims of 26.3 per cent.

JOSEF, E. *Zur Frage des Schadenersatzes bei Massnahmen der Feuerwehr.* Zeitschr. f. d. ges. Versicherungswis., Oct., 1918. Pp. 10.

KOEGLER, K. *Die österreichische Sozialversicherung während des Krieges.* Zeitsch. f. d. ges. Versicherungswis., Oct., 1918. Pp. 19. Summary of laws, decrees, etc., issued during the war. General health of civil population and the death rate affected very unfavorably during the war.

MITTERMUELLER, E. *Die private deutsche Lebensversicherung im Kriege.* Jahrb. f. Nat. und Stat., April, 1918. Pp. 28. Experience during previous wars; situation during the years 1914, 1915, 1916. Measures for covering the war risk and means of restoring lapsed policies. Use of war loans as investments for reserves.

SCHNEIDER, K. *Der Abtrennversicherungsschein.* Zeitschr. f. d. ges. Versicherungswis., Oct., 1918. Pp. 17. Legal status of the policy form in which the holder cuts off a coupon to indicate to the company his acceptance of the contract.

SCHWEIGHAEUSER, F. *Die Schätzungskommission in Privatversicherungsrecht.* Oester. Zeitsch. f. öff. und priv. Versicherung, Vol. 8, Heft 2, 1918. Pp. 9. Law and practice in regard to the use of arbitration committees in determining facts in fire, etc., insurance.

- WERNEBURG, Dr. *Zum Recht des Hypothekengläubigers an der Versicherungs-forderung.* Ann. d. ges. Versicherungswesen, Aug. 22, 1918. Pp. 3. Review of law and decisions on the right of mortgage holder to insurance of burned property.
- WHITTALL, W. J. H. *Notes on some recent developments of pension problems in America.* Journ. Inst. Actuaries, Oct., 1918. Pp. 12. Review of the experience of the Carnegie Foundation.
- WOKUREK, L. *Sozialversicherung und Fürsorge für Kriegsinvalide.* Oest. Zeitsch. f. off. und priv. Versicherung, Vol. 8, Heft 2, 1918. Pp. 12. The sanatoria etc., of the Austrian insurance system are being used for the care of injured soldiers.
- WYLER, J. *Die Tontinen im modernen französischen Versicherungswesen.* Zeitschr. f. d. ges. Versicherungswis., Oct., 1918. Pp. 13. The tontine societies are showing poor returns to participants.
- Das französische Versicherungsmonopol.* Ann. des ges. Versicherungswesen, Aug. 29, 1918. Pp. 2. Reviews the proposal of the French government to make reinsurance a state monopoly.
- Health insurance.* Am. Assoc. for Lab. Legis. Rev., Dec., 1918. Pp. 15. Year's developments towards health insurance legislation, statements of prominent labor organizations and of prominent men in favor of such legislation.
- Life insurance in New Zealand in 1916.* Econ. Wld., Oct., 1918. Pp. 2. The companies report smaller new business than in 1915, deaths have continued to increase (war causes), and lapses and surrenders have decreased.

Pauperism, Charities, and Relief Measures

(Abstracts by George B. Mangold)

- BALL, I. C. *History and methods of the Society of St. Vincent de Paul.* Cath. Char. Rev., Oct., 1918. Origin and organization of the society; its growth and spread throughout the world. Some suggestions are given as to improvement in methods of work.
- BARDSWELL. *Colonies for consumptives.* Char. Organ. Rev., Oct., 1918. The program and work of a number of colonies is briefly given with a summary of the probable rôle of the colony plan in the future.
- BARDSWELL. *The social aspect of the problem of the consumptive in relation to a comprehensive scheme.* Char. Organ. Rev., Nov., 1918. According to this article the English insurance acts have been of considerable value in making possible sanatorium treatment of consumptives. Case histories are presented to indicate the nature of the social service problem and how it has been met.
- GADSBY, M. A. *Economic aspects of the disabled soldier problem with particular reference to Canada.* Mo. Lab. Rev., Sept., 1918. A short account of the Canadian methods of training and placing disabled soldiers. Valuable statistics.

WALLACE, G. L. *The type of feeble-minded who can be cared for in the community.* Bull. Mass. Commission on Mental Diseases, Apr., 1918. States that most communities contain conditions that make them unsafe for any unsupervised feeble-minded persons. With adequate supervision, however, young children, lower grade cases, unattractive girls, and children with good homes, can be retained in the community.

Rehabilitation of the wounded. Ann. Am. Acad., Nov., 1918. More than twenty articles are grouped under three heads: rehabilitation, economic independence, and elements in a constructive program for rehabilitation. Some of them deal with methods of work now in operation; others point the way to more effective service in meeting the new need that the disabled soldier presents.

Statistics and Its Methods

CLARK, E. *A phase of the external statistical needs of American business.* Quart. Pubs. Am. Stat. Assoc., June, 1918. Pp. 8.

COATS, R. H. *The coördination of vital statistics in Canada.* Econ. Wld., Aug. 24, 1918. Pp. 2.

DAY, E. R. *A note on King's articles on "The correlation of historical economic variables and the misuse of coefficients in this connection."* Quart. Pubs. Am. Stat. Assoc., June, 1918. Pp. 4.

DITTMER, C. G. *An estimate of the standard of living in China.* Quart. Journ. Econ., Nov., 1918.

EDGEWORTH, F. Y. *The doctrine of index numbers according to Professor Wesley Mitchell.* Econ. Journ., June, 1918. Pp. 22.

EDGEWORTH, F. Y. *On the value of a mean as calculated from a sample.* Journ. Royal Stat. Soc., July, 1918. Pp. 9.

FALKNER, R. P. *The scope of business statistics.* Quart. Pubs. Am. Stat. Assoc., June, 1918. Pp. 6.

HATHAWAY, W. A. *Internal and external statistical needs of American business.* Quart. Pubs. Am. Stat. Assoc., June, 1918. Pp. 15.

KOFF, F. W. *Committee work in federal statistics and legislation for the fourteenth and subsequent decennial censuses.* Quart. Pubs. Am. Stat. Assoc., Sept., 1918. Pp. 7.

LACY, M. G. *Sources of agricultural statistics.* Library Journ., Dec., 1918. Pp. 7.

LOTKA, A. J. *The relation between birth rate and death rate in a normal population and the rational basis of an empirical formula for the mean length of life given by William Farr.* Quart. Pubs. Am. Stat. Assoc., Sept., 1918. Pp. 10.

MARVIN, D. M. *Occupational propinquity as a factor in marriage selection.* Quart. Pubs. Am. Stat. Assoc., Sept., 1918. Pp. 20.

MOIR, H. *In the wake of influenza.* Am. Underwriter, Dec., 1918. Pp. 7.

WESTERGAARD, H. *On the future of statistics.* Journ. Royal Stat. Soc., May, 1918. Pp. 16.

NOTES

As so many of the members of the AMERICAN ECONOMIC ASSOCIATION were engaged in war work and absent from their posts and customary addresses, it was thought inadvisable to publish the *Hand Book* in the summer of 1918. Plans are now being made, however, to issue the *Hand Book* to be sent out in the near future. Members should send changes of address to the Secretary's office in Ithaca, N. Y., at an early date.

The following names have been added to the membership of the American Economic Association since November 1, 1918:

Abe, Kingo, 625 Market St., San Francisco, Calif.
Ande, G., Upper Kangyo Guiko, Kajimachikin, Tokyo, Japan.
Baker, E. R., Banning, Calif.
Baker, Hugh P., N. Y. State College of Forestry, Syracuse, N. Y.
Bancroft, E. Clair, 261 Crown St., New Haven, Conn.
Besanson, Anna, Bryn Mawr College, Bryn Mawr, Pa.
Bing, Alexander M., 119 West 40th St., New York City.
Blanchet, J. U., Fisher Bldg., Chicago, Ill.
Bradbury, Lester R., 1776 Noble Ave., Bridgeport, Conn.
Caffery, Edward, 1228 Race St., New Orleans, La.
Campbell, Edmund D., 10 University Place, Lexington, Va.
Canfield, A. J., 40 Inman St., Cambridge, Mass.
Carlton, Newcomb, 195 Broadway, New York City.
Comish, Newel H., Oregon Agricultural College, Corvallis, Ore.
Cravath, William B., 15 Broad St., New York City.
Curry, R. F., Green River, Wyoming.
Dahm, E. F., University of Washington, Seattle, Wash.
Davis, V. R., 47 Whitehall St., Atlanta, Ga.
Dillon, Arthur V., 738 Irving Park Blvd., Chicago, Ill.
Doolittle, W. C. J., Utica Investment Co., Utica, N. Y.
Downs, W. C., P. O. Box 700, Rio de Janeiro, Brazil, S. A.
Dozier, Howard D., 1070 Milledge Ave., Athens, Ga.
Edwards, Joseph Lee, U. S. R. R. Administration, Washington, D. C.
Elliott, G., Care of Royal Bank of Canada, London, Eng.
Feiss, Richard A., 2149 W. 53d St., Cleveland, Ohio.
Foreman, C. J., 16 Spring St., Fayetteville, Ark.
Gibson, Thomas, 29 Broadway, New York City.
Glaser, Lulu C., University of Pittsburgh, Pittsburgh, Pa.
Graef, Albert A., First National Bank Bldg., Cincinnati, Ohio.
Gramme, E. G., 1435 Lincoln Ave., St. Paul, Minn.
Gras, N. S. B., University of Minnesota, Minneapolis, Minn.
Graves, Charles H., P. O. Box 475, East Lansing, Mich.
Gulick, Sidney L., 105 East 22d St., New York City.
Hall, William T., 238 Clinton St., New Orleans, La.
Hansen, Alvin H., 654 Hope St., Providence, R. I.

- Hardenbergh, Daniel B., 7 Orchard St., Middletown, N. Y.
Harrison, Milton W., 5 Nassau St., New York City.
Hathaway, William A., 193 Broadway, New York City.
Hayakawa, Prof. Naose, Uyeda Sericultural College, Uyeda, Japan.
Hepke, G. A., Hamilton, Ohio.
Hoenny, Adolph, Washington University, St. Louis, Mo.
Hoyt, Homer, War Trade Board, Washington, D. C.
Huston, W. Clay, Bellefontaine, Ohio.
Imai, Sadajiro, Shijo, Fuyacho Higashi, Kyoto, Japan.
Ingalls, Walter Renton, 10th Ave. at 36th St., New York City.
Isabell, Orland S., 59 Liberty St., New York City.
Karelsen, E. A., 170 West 73d St., New York City.
Ka-Shyo-le, Mr., College of Law, K. I. U., Kyoto, Japan.
Keller, William H., Grand Haven, Mich.
Kiyowara, Danzo, P. O. Box 1080, Los Angeles, Calif.
Knight, William A., St. Augustine, Fla.
Kodera, Y., 45 Kumodu, Kobe, Japan.
Lamb, Chauncey T., Hinsdale, Ill.
Lambert, Norman P., Winnipeg, Man., Canada.
Lewis, Alfred G. B., 1914 Spruce St., Philadelphia, Pa.
Lotka, Alfred J., 25 Broad St., New York City.
Love, C. Morup N., Wilbur, Wash.
McAlleer, Charles L., 206 Clark Road, Brookline, Mass.
McDonald, James G., 79 Wall St., New York City.
McElroy, Austin, Hartman Bldg., Columbus, Ohio.
Maxwell, Lloyd W., 1807 California St., Washington, D. C.
Middaugh, Florence K., 1418 21st St., N. W., Washington, D. C.
Miner, W. C., 43 Bay State Road, Boston, Mass.
Morrison, F. W., Linwood, Mass.
Moses, David K., 25 Kress Park, New Rochelle, N. Y.
Mosser, L. L., Abingdon, Ill.
Mucklow, Walter, United States Bldg., Jacksonville, Fla.
Myer, G. W., Jr., 60 Wall St., New York City.
Myers, Wm. I., College of Agriculture, Ithaca, N. Y.
Noble, Clarence V., 314 University Ave., Ithaca, N. Y.
Pattee, Fred B., Monmouth, Ill.
Paxton, A. B., Wheeling, W. Va.
Phillips, F. Rees, Pennsylvania Bldg., Philadelphia, Pa.
Posner, Louis S., 15 Broad St., New York City.
Price, H. Bruce, Connecticut Agricultural College, Storrs, Conn.
Reitell, Charles, Bureau of Standards, Washington, D. C.
Rennick, Percival G., Peoria, Ill.
Richardson, John H., 305 Maryland Trust Bldg., Baltimore, Md.
Robinson, Ralph, 1307 Continental Bldg., Baltimore, Md.
Romer, Rose, 429 Majestic Bldg., Detroit, Mich.
Rosenberry, Marvin B., Madison, Wis.
Rothschild, Richard C., 230 West 103d St., New York City.
Rounds, Arthur C., 96 Broadway, New York City.
Russell, Bert, 171 Patent Office, Washington, D. C.

- Ryan, Charles J., 215 Montague St., Brooklyn, N. Y.
Ryder, Oscar B., 1460 Belmont St., Washington, D. C.
Salling, M. T., 316 West Fourth St., Cincinnati, Ohio.
Sano, Shichiro, Sanjodori, Kyoto, Japan.
Saxton, Pierre W., 195 Broadway, New York City.
Schreiter, Henry, 21 East 40th St., New York City.
Scoville, G. P., Dept. of Farm Management, Ithaca, N. Y.
Seay, E. T., 4th and 1st National Bank Bldg., Nashville, Tenn.
Shaulis, Lloyd L., War Trade Board, Washington, D. C.
Shaw, Alejandro E., Buenos Airies, Argentine Republic, S. A.
Sheehan, James M., 4625 Woodlawn Ave., Chicago, Ill.
Sheffield, William P., 223 Thames St., Newport, R. I.
Sherman, Adrian F., Drear-Leslie Bldg., Kansas City, Mo.
Sickel, H. S., Jr., 16 S. Broad St., Philadelphia, Pa.
Simpson, Kemper, The Marlborough, Baltimore, Md.
Smith, Edward J., 36 Neil Block, Nashville, Tenn.
Speer, William H., 29 Bentley Ave., Jersey City, N. J.
Splawn, Dean W. M. W., Belton, Texas.
Sprinkle, B. F., Bloomington, Ill.
Steinhaus, Isaac, 233 Broadway, New York City.
Stevenson, Russell A., 1136 E. College St., Iowa City, Iowa.
Stewart, Charles A., Treasury Dept., Washington, D. C.
Stewart, Charles L., 322 Washington Ave., Fayetteville, Ark.
Sweetser, Frank L., 112 Academy St., Poughkeepsie, N. Y.
Tait, Edwin E., 1004 Union Bank Bldg., Pittsburgh, Pa.
Taylor, John Robert, 41 Park Row, New York City.
Thompson, William D., 526 Main St., Racine, Wis.
Thornton, Lewis H., The Breakers, Miami Beach, Fla.
Thurston, Charles S., 12 Coulter Bldg., Saranac Lake, N. Y.
Tyson, Francis, University of Pittsburgh, Pittsburgh, Pa.
Vaughan, Ernest H., 30 Sever St., Worcester, Mass.
Vaughan, George, 800 Battery St., Little Rock, Ark.
Van Ordsall, Mrs. C. C., 394 Taylor St., Portland, Ore.
Vinson, William A., 201 Gulf Bldg., Houston, Texas.
Walsh, John J., Norwalk, Conn.
Wangenheim, Julius, 148 West Juniper St., San Diego, Calif.
Warburg, Paul M., 17 East 80th St., New York City.
Warfield, John D., E. & C. Bldg., Denver, Colo.
Warner, C. B., 79 Wall St., New York City.
Warner, James H., 25 Broad St., New York City.
Warriner, R. C., Dept. of Agriculture, Washington, D. C.
Warshow, Herman, 1735 U. St., N. W., Washington, D. C.
Watson, J. T., Tampa, Fla.
Weissman, Randolph L., 1421 41st St., Brooklyn, N. Y.
Wells, E. Burton, Johnstown, N. Y.
Wickes, Frank B., Ticonderoga, Essex Co., N. Y.
Wickham, Almeron, 919 Gaunt St., Gloucester City, N. J.
Winkler, M. H., 59 Wall St., New York City.
Winter, Wilber M., 505 West Wardman Courts, Washington, D. C.

Wheeler, William G., 2616 Lake View Ave., Chicago, Ill.
White, Edward, 1835 Oregon Ave., N. W., Washington, D. C.
Whitehead, John M., Janesville, Wis.
Whittington, W. M., Greenwood, Miss.
Woerner, William F., 802 Times Bldg., St. Louis, Mo.
Wolf, Robert B., 36th and Chestnut Sts., Philadelphia, Pa.
Woodward, J. B., Wilkes-Barre, Pa.
Young, Owen D., General Electric Co., 120 Broadway, New York City.
Zimmerman, Isidore, 238 West 106th St., New York City.

The Sixth National Foreign Trade Convention will meet in Chicago April 24-26. Information may be obtained from O. K. Davis, secretary of the National Foreign Trade Council, 1 Hanover Square, New York City.

The annual meeting of the Michigan Academy of Science will be held at Ann Arbor, April 2, 3, and 4.

Announcement has been made that prizes offered by Hart Schaffner & Marx for 1918 have been awarded as follows: In Class A, first prize was granted to Harleigh H. Hartman for a paper entitled "The meaning and application of 'fair valuation' as used by utility commissions"; second prize to Howard Douglas Dozier for a paper entitled "A history of the Atlantic Coast Line Railroad." No prizes were awarded under Class B.

The National Industrial Conference Board (15 Beacon St., Boston) offers a prize of \$1,000 for the best monograph on any one of the following subjects:

1. A practicable plan for representation of workers in determining conditions of work and for prevention of industrial disputes.
2. The major causes of unemployment and how to minimize them.
3. How can efficiency of workers be so increased as to make high wage rates economically practicable?
4. Should the state interfere in the determination of wage rates?
5. Should rates of wages be definitely based on the cost of living?
6. How can present systems of wage payments be so perfected and supplemented as to be most conducive to individual efficiency and to the contentment of workers?
7. The closed union shop versus the open shop: their social and economic value compared.
8. Should trade unions and employers' associations be made legally responsible?

Manuscripts must be mailed on or before July 1, 1919.

The University of Wisconsin has established a chair in the department of economics on the subject of Americanization. Professor Lescohier, formerly of the Bureau of Labor of Minnesota, has been appointed to this position.

Announcement is made that Professor William Z. Ripley of Harvard University, late Administrator of Labor Standards in the War Department, and subsequently appointed successor to Ex-Governor Bass as a representative of the United States Shipping Board on the National Adjustment Commission, has been elected chairman of that body. The National Adjustment Commission is a court of appeal for all labor disputes from local bodies at the different ports on matters concerning marine and dock labor. Throughout the war governmental agencies, such as the War and Navy Departments and the Shipping Board, have preponderated in its affairs, but plans are under consideration through which it is hoped that a transition to a system of industrial self-government for purely private enterprise may be set up.

The program of the New School for Social Research (Emma Peters Smith, executive secretary, 465 West 23d St., New York) lists the following lecturers: Thorstein Veblen, James H. Robinson, Charles A. Beard, Emily J. Putnam, Wesley C. Mitchell, Ordway Tead, Harold J. Laski, and Frederick W. Ellis. Courses in employment administration are given in coöperation with the National Training School for Public Service and the Bureau of Industrial Research.

The Bureau of Municipal Research in New York under the leadership of Dr. Charles A. Beard is undergoing a rapid expansion and is to become a national training school for public service. It is establishing special courses for professional training in the fields of industrial sanitation, industrial safety, industrial statistics, and special training courses for public management service. The Bureau of Industrial Research in coöperation with the National Training School for Public Service will have charge of the courses in employment administration and industrial relations. It is planned to carry on the present type of intensive training course, prolonging the period from six to eight weeks. A new type of intensive seminar course will be introduced, open only to a limited number of students who have successfully completed the intensive training courses or who are otherwise clearly qualified. Employment managers will be given opportunity to work out, under guidance, the special problems of their respective fields of employment. It is planned to open several new courses in this field next autumn. They will be designed to meet the needs of

various groups of people, such as those in the public employment service, and those doing vocational work in the public schools or conducting evening extension courses.

The Carola Weorishoffer Department of Social Economy at Bryn Mawr College established in June courses designed to prepare college women for industrial work. In addition to training already offered in industrial investigation, statistics, constitutional questions affecting social problems, and psychological tests, a seminary in labor questions was arranged for and a course in industrial supervision and employment management. Miss Anna Bezanson conducts this new branch of the work and also directs the field laboratory work. Through the War Labor Policies Board cooperation has been secured with manufacturers in New England and in Philadelphia. Thus far the experiment has proved successful and it is probable that the course will become a regular part of the work of the department.

The Library of Congress announces the acquisition of two volumes of William Blathwayt's papers. One contains a record of the Office of Trade and Plantations, 1682-1688; the other, an account of revenues in America, 1702-1712.

The National Tax Association, although it abandoned the conference for 1918, has decided to publish the 1918 volume of proceedings.

Professor C. M. Thompson and Dr. M. H. Hunter, of the University of Illinois, have prepared a book of *Exercises and Problems in the Principles of Economics*.

D. Appleton and Company is soon to publish a book entitled *Organized Labor in American History*, written by Frank T. Carlton of Albion College.

A forthcoming book of timely interest is *The Farmer and the New Day*, by President Kenyon L. Butterfield, of the Massachusetts Agricultural College. It will be issued by Macmillan Company. This company is also publishing a revised and enlarged edition of *History of Economic Thought*, by Lewis H. Haney; and a book on the *Labor Market*, by Professor D. D. Lescohier.

The McGraw-Hill Company will publish a book on *International Goodwill*, by Professor John R. Commons, which is designed for employers, engineers, and others interested in industrial management.

The sixty-eighth annual edition of *Stock Fluctuations*, compiled by Benjamin Fisher and published by the Financial Publishing Company (17 Joy St., Boston) will include, in addition to stock fluctuations for

the year 1918, authentic data about United States government bonds with the record of change in government debt and range of quotations for United States government bonds from 1855 to January 1, 1919.

D. Appleton and Company announces a series of books under the title of Problems of War and Reconstruction. Of the thirty volumes planned the following are for immediate publication: *Government Organization in War Time and After*, by W. F. Willoughby; *Government Insurance in War Time and After*, by Samuel McCune Lindsay; *The Colleges in War Time and After*, by Park R. Kolbe; *The Redemption of the Disabled*, by Garrard Harris; *The American Air Service*, by Arthur Sweetser; *The Strategy of Minerals*, by George R. Smith; and *Commercial Policy in War Time and After*, by W. S. Culbertson.

The Athenaeum Literature Department (10 Adelphi Terrace, London, W. C. 2, England) has issued as numbers 1 and 2 in its series of Social Reconstruction pamphlets *The Rural Problem*, by Arthur W. Ashby (pp. 40, 6d.) and *Taxation and Social Reconstruction*, by Arnold N. Shimin (pp. 32, 6d.); also the following three reprints from "The Athenaeum": *The Politics of Industry. An Examination of the Whitley Report* (pp. 15, 1d.); *Capitalism and Education* (pp. 12, 2d.); and *The Industrial Outlook: No Man's Land*, by O. P. I. P. (pp. 16, 1d.). Two further pamphlets in this connection are *The Meaning of Reconstruction*, by Demos (pp. 75, 1s.) and *The 1918 Education Act Explained*, by Arnold S. Rowntree (pp. 12, 2d.)

The Division of Labor Administration of the Working Conditions Service in the United States Department of Labor is issuing semi-monthly bulletins on questions relating to the administration of labor forces in industry. Two bulletins have already appeared, No. 1 on *Centralized Employment Departments* and No. 2 on *Industrial Medical Service*.

A Guide to United States Government Publications, compiled by Walter I. Swanton is issued as Bulletin, 1918, No. 2 from the Bureau of Education, Department of the Interior (Washington, Supt. Docs., 20c.).

The *American Labor Legislation Review* completes its eighth year with an issue entitled Foundations for Reconstruction. Articles are presented on a national employment service, workmen's compensation, vocational rehabilitation, health insurance, war time employment of women, working hours for women, minimum wage legislation, and maintenance of protective labor standards.

The Municipal Reference Library *Notes* for November 13, 1918, has several pages of bibliography relating to reconstruction problems.

Harvard University Committee on Economic Research announces the publication of a review devoted to economic statistics.

The Industrial League Journal (56 Victoria St., Westminster, S. W. 1, London, England) is a new English periodical which is devoted to the improvement of relations between employers and employed.

Since the preparation of the lists of new books the following have been received:

R. Bachi, *L'Italia economica nel 1917* (Turin: La Riforma Sociale).
Dwight E. Beebe, *Retail Credits and Collections* (New York: Harper & Brothers).

Arthur W. Calhoun, *A Social History of the American Family from Colonial Times to the Present*, vol. III, *Since the Civil War* (Cleveland: Arthur H. Clark Co.).

Thomas Nixon Carver, *Principles of Political Economy* (Boston: Ginn).

W. H. Glasson, *Federal Military Pensions in the United States* (Oxford University Press).

Reuben McKittrick, *The Public Land System of Texas, 1823-1910* (University of Wisconsin).

T. W. Overlach, *Foreign Financial Control in China* (New York: Macmillan).

J. Taylor Peddie, *Economic Reconstruction. A Further Development of "A National System of Economics"* (New York: Macmillan).

D. P. Smelser, *Unemployment and American Trade Unions*, Johns Hopkins University studies in historical and political science, series XXXVII, no. 1 (Baltimore: Johns Hopkins Press).

W. F. Willoughby, *The Problem of a National Budget and The Movement for Budgetary Reform in the States* (Appleton).

Appointments and Resignations

Professor Avard L. Bishop, of the Sheffield Scientific School, Yale University, has been transferred from the chair of geography and commerce to the professorship of business administration and is head of the department of business administration.

Professor Roy G. Blakey, of the University of Minnesota, has resigned as economist and trade specialist in the War Trade Board to

become associate director of the Economics Section of the Savings Division in the Treasury Department at Washington.

Mr. P. H. Brown has been appointed an assistant in the department of economics at the University of Illinois.

Dr. Alexander E. Cance has been granted leave of absence from the Massachusetts Agricultural College to enter upon overseas educational work with President K. L. Butterfield. He will serve as subject-matter specialist in agricultural economics and will be absent until October, 1919.

Professor Paul T. Cherington has returned from Washington to Harvard University.

Dr. E. J. Clapp, of New York University, is serving as expert with the Information and Education Service in the Department of Labor at Washington.

Mr. Arthur H. Cole, instructor in economics at Harvard University, and lately connected with the Quartermaster Corps of the War Department, has been appointed a special expert of the United States Tariff Commission.

Professor M. T. Copeland has returned from Washington and has resumed directorship of the Bureau of Business Research at Harvard University.

Dr. John Lee Coulter, of West Virginia University, is one of the regional directors with President Butterfield now in France.

Professor W. W. Cumberland, of the University of Minnesota, has been sent to Paris by the War Trade Board as an economist and statistician to assist the American Commission to Negotiate Peace.

Mr. George W. Doonan has been appointed lecturer in foreign trade at Northwestern University School of Commerce.

Professor F. R. Fairchild, of Yale University, has been conducting an investigation of the public debts of the belligerent powers for the State Department.

Professor W. F. Gephart, dean of the School of Commerce and Finance, Washington University, St. Louis, is serving as general manager of the St. Louis Wholesale Grocers' and Jobbers' Association on a part-time basis for six months.

Dr. Ralph E. Heilman has been granted leave of absence from

Northwestern University School of Commerce to serve on the Ship-building Labor Adjustment Board at New York City.

Professor R. H. Hess, of the University of Wisconsin, is in charge of the accounts, records, and statistics of the American Expeditionary Force in France.

Mr. G. Charles Hodges, formerly of Washington State College, has just returned from an investigation of conditions in the Far East and has been appointed lecturer in foreign trade at New York University.

Dr. J. H. Hollander, of Johns Hopkins University, has been appointed by the United States Fuel Administration as umpire between the mine workers and the coal operators of the Maryland and Upper Potomac district.

Professor George Burton Hotchkiss, of New York University has returned from Washington to his academic duties.

Mr. Eric L. Kohler has returned to his duties as assistant professor in accounting at Northwestern University School of Commerce.

Dr. William M. Leiserson has been granted leave of absence from Toledo University and has become chief of the Division of Labor Administration, Working Conditions Service, United States Department of Labor.

Dr. Henry C. Metcalf has resigned his position as head of the department of economics at Tufts College and will be associated with Mr. Ordway Tead as co-director in developing, in coöperation with the Bureau of Municipal Research in New York City, the Bureau of Industrial Research, and the New School for Social Research, courses for the training of personnel managers.

Professor Herbert E. Mills was dean of the training camp for nurses conducted at Vassar College during the past summer under the auspices of the American Red Cross and the National Council of Defense.

Professor N. Mukherjee who was appointed professor of Indian economics in the Diocesan College for Girls in Calcutta in July, 1917, has been delivering a series of lectures in general economics as well.

Miss Mabel Newcomer was promoted in June from an instructorship to an assistant professorship in economics at Vassar College.

Professor W. A. Paton, of the University of Michigan, has resigned as trade expert in the War Trade Board to become income tax auditor in the Bureau of Internal Revenue.

